Annual report of ATM S.A.
for the period from 1 January to 31 December 2016

Warsaw, April 2017

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KEY INFORMATION REGARDING ANNUAL REPORT

This annual report covers information drafted pursuant to § 91 item 1 of the Regulation of the Minister of Finance of 19 February 2009, and includes the financial statements of ATM S.A. prepared in accordance with the International Financial Reporting Standards, as approved by the European Union, for the period from 1 January to 31 December 2016.

Submission date: 28 April 2017

Information on the Issuer:

Full name of the Issuer: ATM S.A.
Abbreviated name of the Issuer: ATM
Sector according to the Warsaw Stock Exchange classification: information technology
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NIP (Tax ID No): 113-00-59-989
REGON (Statistical ID No): 012677986
Entity authorised to perform the audit: Polska Grupa Audytorska Sp. z o.o. sp. k.

LETTER FROM THE PRESIDENT OF THE MANAGEMENT

BOARD TO THE SUPERVISORY BOARD, CURRENT SHAREHOLDERS AND PROSPECTIVE INVESTORS

Dear Sir/Madam,

I hereby present the report on a year which will be long remembered in the Company's history. Reasons for this can be found in many areas, and our financial performance is the best reflection of this fact. In this letter, I will focus on describing the reality that I found at the company and present what we have managed to achieve during this period.

2016 was a year of profound changes. The largest telecoms changed the composition of their management boards, revised their strategies and faced new challenges and came with new ideas how to address them. ATM was not spared from such changes.

It's been almost a year since I took the reins at ATM and I must admit that we set the bar high. We found many unfinished projects and many areas requiring immediate intervention. Following an in-depth analysis of the Company's situation, we have initiated a far-reaching transformation of the organisation that has involved virtually every area of our business — from changes in the organisational structure and reorganisation of working practices, through the replacement of IT management systems, revision of the product portfolio and rebranding, to changing the organisation's work culture. Such fundamental changes are reflected in the Company's performance — the costs of this restructuring incurred in 2016 mean also that some of those costs will also occur in subsequent years.

The list of tasks that we have managed to accomplish is very long, but the most important ones include: reorganisation of departments: Sales Department, Technology Department, Finance Department, IT Department, HR Department, Administration Department and Marketing Department; establishment of new departments (Controlling Department, Security Department, Valuation Department, Customer Service Department), replacement of key internal IT systems, revision of the product portfolio, development and implementation of a new marketing strategy, completion of rebranding of the "Atman" brand, launch of a new website, implementation of programs that generate sustainable cost savings and, above all, the Company starter to thoroughly verify its currently offered services in terms of their margins and investment efficiency. On the financial side, the Company refinanced its debt and significantly optimised its structure.

In the case of telecommunications services, in 2016 the Company was struggling under the weight of declines in ARPU and margins for those projects. However, changes initiated in 2016 should clearly reinforce the idea of selling "less for more" in subsequent years — in this case, this means limiting to offering only those services that generate an appropriate return on investments for the Company. "Smart" sales are one of the sources of savings that we seek in the years to come in the provision of services not entirely based on the Atman network.

According to the PMR's report on data centres in Poland, this market will grow at a rate of 12% annually over the coming years. ATM has the ambition to reach at least the market's level of growth, and the changes commenced in 2016 will certainly contribute to this.

ATM has been in the vanguard of the data centre market for many years, and this also requires an avant-garde approach to sales. We employ the best talents, using scientific methods to verify their skills and applying highly motivating methods to reward them for their performance. The hype over ATM that started in 2016 confirms our belief that the path taken by the Company is the right one and being a leader is not synonymous with being the leader of the lowest prices, as the Company has repeatedly called.

ATM is a company that went through a lot these past few years, however it always had a huge capital of people with passion and knowledge and without these two factors it is impossible to succeed. I am very impressed by the team I have the honor of working with. Many of them have been working in the Company for a number of years and continue, with utmost dedication, to do things that some would call impossible. At this point, I would like to quote few words from a US president, Dwight Eisenhower, that accompany me throughout my life: "I would rather try to persuade a man to go along, because once I have persuaded him he will stick. If I scare him, he will stay just as long as he is scared, and then he is gone."

As closing words, let me quote my predecessor:

"In a slightly longer business perspective, i.e. in the years 2016–2020, I recognise a very strong potential which, in particular, will enable ATM to consolidate its leading position in the Data Processing Center market, where the strategic goal is the growth of ATM's value for the investors. My assessment is that in the years 2016–2020 we will have a very favourable combination of business conditions supporting ATM's operations not only in Poland, but also in the region (CEE and DACH)."

I am convinced that the changes introduced in the Company, positive market outlooks as well as ambitions and determination of the management and every single employee of the Company will meet the managers' expectations in the coming years.

Sincerely yours,

Sylwester Biernacki
President of the Management Board

SELECTED FINANCIAL DATA

	in PLN thousand		in EUR thousand	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Total sales revenue	132,050	131,483	30,178	31,419
Revenue from core operating segments	127,335	123,815	29,100	29,587
Sales margin	71,062	68,174	16,240	16,291
EBITDA *	31,299	34,019	7,153	8,129
Operating profit *	7,350	10,722	1,680	2,562
Profit (loss) before tax	(10,917)	8,782	(2,495)	2,099
Net profit (loss) on continuing operations	(9,791)	5,640	(2,238)	1,348
Comprehensive income	(7,129)	4,381	(1,629)	1,047
Net cash from operating activities	33,901	43,416	7,747	10,375
Net cash from investing activities	(25,265)	(34,480)	(5,774)	(8,240)
Net cash from financing activities	(8,679)	(10,646)	(1,983)	(2,544)
Increase (decrease) in cash	(44)	(1,710)	(10)	(409)
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Fixed assets	381,148	388,367	86,155	91,134
Current assets	18,469	19,078	4,175	4,477
Total assets	399,617	407,445	90,329	95,611
Long-term liabilities	122,065	102,031	27,592	23,943
Short-term liabilities	52,881	73,615	11,953	17,274
Equity	224,670	231,799	50,784	54,394
Share capital **	34,723	34,723	7,849	8,148
Number of shares	36,343,344	36,343,344	36,343,344	36,343,344
Book value per share (in PLN/EUR)	6.18	6.38	1.40	1.50

**) Starting from this periodic report, the Issuer presents a portion of subsidy received to finance fixed assets (ATM Innovation Centre Project) attributable to a given financial period below the operating profit (and, consequently, below EBITDA). As a result of the aforementioned change, revenue from the subsidy is not credited to the operating profit and EBITDA, as was the case in previous periodical reports of the Issuer. Comparative data for 2015 were restated accordingly — detailed information is provided in Note 33.*

** *) The share capital was restated in accordance with IAS 29*

The above financial figures as at 31 December 2016 were converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.4240 as published by the National Bank of Poland on 31 December 2016;
- particular items of the profit and loss account and the statement of cash flows were converted at the EUR/PLN exchange rate which is the arithmetical mean of average rates set by the National Bank of Poland as at the last day of each month of the financial period (from 1 January to 31 December 2016) amounting to 4.3757.

The financial figures as at 31 December 2015 were converted into EUR according to the following principles:

- particular items of assets and liabilities were converted at the average EUR/PLN exchange rate of 4.2615 as published by the National Bank of Poland on 31 December 2015;
- particular items of the profit and loss account and the statement of cash flows were converted at the EUR/PLN exchange rate which is the arithmetical mean of average rates set by the National Bank of Poland as at the last day of each month of the financial period (from 1 January to 31 December 2015) amounting to 4.1848.

FINANCIAL STATEMENTS OF ATM S.A. AS AT 31 DECEMBER 2016

INCOME STATEMENT

	NOTE	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Continuing operations			
Sales revenue	3	132,050	131,483
of which: revenue from core operating segments		127,335	123,815
Cost of sales (variable)	4	60,988	63,309
Sales margin *		**71,062**	**68,174**
Cost of sales (fixed)	4	29,487	27,070
Gross profit (loss) on sales		**41,575**	**41,105**
Other operating revenue	5	65	1,156
General and administrative expenses **	4	29,724	30,143
Other operating expenses	6	4,565	1,395
Operating profit (loss) **		**7,350**	**10,722**
Share in the profit or loss of equity-accounted entities ***		1,986	858
Revenue from subsidies **		1,554	1,550
Financial revenue	7	150	169
Financial expenses ****	8	21,957	4,517
Profit (loss) before tax		**(10,917)**	**8,782**
Income tax	9	(1,126)	3,142
Net profit (loss) on continuing operations		**(9,791)**	**5,640**
Net profit (loss)		**(9,791)**	**5,640**
Profit (loss) per share			
On continuing operations:			
Ordinary		-0.27	0.16
Diluted		-0.27	0.16
From continued and discontinued operations:			
Ordinary		-0.27	0.16
Diluted		-0.27	0.16
EBITDA **		**31,299**	**34,019**

NOTES:

*) The Issuer additionally discloses, in relation to the IFRS requirements, the “Sales margin” category which represents the difference between sales revenue and own variable costs of sales, i.e. those that are directly related to the value of the revenue (cost of goods sold, costs of subcontractors in the implementation of services, materials and energy consumption). This category — according to the Issuer's Management Board — is important for the analysis of the Company's finances as it is correlated with the value of sales and determines a break-even point for fixed costs, i.e. a point at which Company’s activities are operationally profitable.

**) Starting from this periodic report, the Issuer presents a portion of subsidy received to finance fixed assets (ATM Innovation Centre Project) attributable to a given financial period below the operating profit (and, consequently, below EBITDA). As a result of the aforementioned change, revenue from the subsidy is not credited to the operating profit and EBITDA, as was the case in previous periodical reports of the Issuer. Comparative data for 2015 were restated accordingly — detailed information is provided in Note 33.

***) This item includes the Issuer’s share in the financial result of an associate, Linx Telecommunications Holding B.V. ATM S.A.’s share in the remaining part of changes in equity of this company is recognised as “Share in other comprehensive income of associated entities” of the Statement of Comprehensive Income presented below.

****) For 2016, this item includes an impairment write-down on shares in an associate, Linx Telecommunications Holding B.V., recognised in the 4th quarter of 2016 in the amount of PLN 16,921 thousand.

STATEMENT OF COMPREHENSIVE INCOME

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Net profit (loss)	**(9,791)**	**5,640**
Other comprehensive income that will not be reclassified to profit or loss	**2,662**	**(1,259)**
Effects of revaluation of fixed assets	-	-
Actuarial gains or losses	-	-
Share in other comprehensive income of associates *	2,662	(1,259)
Income tax related to items that will not be reclassified	-	-
Other comprehensive income that may be reclassified to profit or loss	**-**	**-**
Revaluation of tangible fixed assets	-	-
Exchange differences on translation of foreign operations	-	-
Results of valuation of financial assets available for sale	-	-
Hedge accounting	-	-
Income tax related to other comprehensive income items	-	-
Total comprehensive income	**(7,129)**	**4,381**

*) ATM's share in the change of consolidated equity of the Linx Group, which results mainly from the fact that the subsidiaries of Linx prepare their balance sheets among others in RUB, whereas the consolidated balance sheet of the parent company is prepared in EUR.

STATEMENT OF FINANCIAL POSITION — ASSETS

	NOTE	End of period 31/12/2016	End of period 31/12/2015
Fixed assets		**381,148**	**388,367**
Goodwill		-	-
Intangible assets	11	7,250	2,939
Tangible fixed assets	12	332,522	331,825
Investments in associates consolidated using the equity method	13	41,073	53,346
Investments in subsidiaries	13	-	-
Deferred income tax assets	9	-	-
Other fixed assets	14	303	257
Current assets		**18,469**	**19,078**
Inventories	15	816	1,052
Financial assets held for trading	13	50	66
Trade and other receivables	16	14,309	13,452
Income tax receivables		57	57
Other current assets	17	1,463	2,634
Other financial receivables	17	-	-
Cash and cash equivalents	18	1,774	1,817
Total assets		**399,617**	**407,445**

STATEMENT OF FINANCIAL POSITION — EQUITY AND LIABILITIES

	NOTE	End of period 31/12/2016	End of period 31/12/2015
Equity		**224,670**	**231,799**
Share capital	19	34,723	34,723
Supplementary capital from share premium		123,735	123,735
Revaluation reserve		-	-
Treasury shares		-	-
Reserve capital		61,144	55,504
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	19	5,068	17,837
Long-term liabilities		**122,065**	**102,031**
Long-term loans and borrowings	20	101,034	71,473
Provision for deferred tax	9	1,312	3,673
Provisions for liabilities		-	-
Long-term trade and other liabilities	22	15,126	17,116
Other financial liabilities	24	4,593	9,769
Short-term liabilities		**52,881**	**73,615**
Bank loans and borrowings	20	20,727	49,627
Provisions for liabilities		-	-
Income tax liability		424	267
Trade and other liabilities	23	26,404	17,479
Other financial liabilities	24	5,327	6,242
of which: dividends payable		**-**	**-**
Total equity and liabilities		**399,617**	**407,445**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2016	**34,723**	**123,735**	**-**	**55,504**	**17,837**	**231,799**
Increases:						
Current period result	-	-	-	-	(9,791)	(9,791)
Share in other comprehensive income of associates	-	-	-	-	2,662	2,662
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution – increase of the supplementary capital	-	-	-	5,640	-	5,640
Decreases:						
Profit distribution to be allocated to supplementary capital	-	-	-	-	5,640	5,640
Dividend payout	-	-	-	-	-	-
As at 31 December 2016	**34,723**	**123,735**	**-**	**61,144**	**5,068**	**224,670**

	Share capital	Supplementary capital from share premium	Treasury shares	Reserve capital	Retained earnings, including supplementary capital	Equity
As at 1 January 2015	**34,723**	**123,735**	**-**	**55,504**	**20,724**	**234,686**
Increases:						
Current period result	-	-	-	-	5,640	5,640
Share in other comprehensive income of associated entities	-	-	-	-	(1,259)	(1,259)
Repurchase of treasury shares	-	-	-	-	-	-
Profit distribution	-	-	-	-	799	799
Share subscription under the stock option plan	-	-	-	-	-	-
Decreases:						
Profit distribution to be allocated to supplementary capital	-	-	-	-	799	799
Dividend payout	-	-	-	-	7,268	7,268
As at 31 December 2015	**34,723**	**123,735**	**-**	**55,504**	**17,837**	**231,799**

CASH FLOW STATEMENT

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Operating activities	**33,901**	**43,416**
Profit (loss) before tax	(10,917)	8,782
Adjustments by:	44,818	34,634
Share in the profit or loss of equity-accounted entities	(1,986)	(858)
Depreciation and amortisation	23,949	23,297
Foreign exchange differences	(125)	(47)
Interest received	(1)	(2)
Interest paid	4,412	4,074
Dividends received	-	-
(Gains) losses on investing activities	1,447	117
Change in inventories	236	301
Change in receivables	(857)	5,341
Change in liabilities and provisions *	4,090	4,851
Change in other assets	13,444	286
Income tax paid	(1,077)	(1,164)
Other	1,286	(1,562)
Investing activities	**(25,265)**	**(34,480)**
Expenditure on purchase of tangible fixed assets	(25,405)	(39,507)
Expenditure on purchase of financial assets	-	-
Revenue from sale of tangible fixed assets	134	4,902
Repayments of long-term borrowings granted	17	139
Borrowings granted	-	-
Revenue from sales of financial assets	-	-
Interest received	-	-
Dividends received	-	-
Foreign exchange differences	(12)	(14)
Other	-	-
Financing activities	**(8,679)**	**(10,646)**
Net proceeds from issue of shares and other capital contributions	-	-
Subsidies received	120	1,570
Proceeds from loans and borrowings	16,338	22,526
Repayments of loans and borrowings	(14,770)	(15,942)
Purchase of treasury shares	-	-
Payment of liabilities arising from finance leases	(6,092)	(7,520)
Dividends paid	-	(7,269)
Interest received	-	2
Interest paid	(4,412)	(4,074)
Other profit-sharing	-	-
Foreign exchange differences	137	61
Other (division adjustment)	-	-
Change in cash	**(44)**	**(1,710)**
Opening balance of cash	1,817	3,527
Closing balance of cash	**1,774**	**1,871**

* The item “Change in liabilities and provisions” does not comprise a change in liabilities in respect of investment purchases; the change in such liabilities is reported in the item “Expenses on tangible fixed assets purchases”.

ADDITIONAL EXPLANATORY NOTES

NOTE 1.
BASIC INFORMATION

1. Information about the Company

ATM S.A. is a joint-stock company. The Company launched its operation in 1994 as ATM Sp. z o.o. (limited liability company). On 10 July 1997, ATM Sp. z o.o. was transformed into a joint-stock company pursuant to a notarial deed drawn up at the Notarial Office in Raszyn on 16 May 1997 (Repertory No 3243/97).

The registered office of the Company is located in Warsaw at Grochowska 21a. The Company operates from its registered office as well as through a branch in Katowice, which is not a self-contained accounting unit. The Company is registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The Company is registered under the National Court Register (KRS) No 0000034947.

ATM S.A. is listed on the Warsaw Stock Exchange. According to the Warsaw Stock Exchange classification, the Company's core business falls within the sector "Information Technology". In the period covered by these financial statements, ATM S.A. provided data center and data transmission services for corporate clients.

As at 31 December 2016, the composition of the Management Board was as follows:

- Sylwester Biernacki — President of the Management Board,
- Robert Zaklika – Vice-President of the Management Board,
- Tomasz Galas — Vice-President of the Management Board.

As at 31 December 2016, the composition of the Supervisory Board was as follows:

- Tadeusz Czichon — Chairperson of the Supervisory Board,
- Maciej Kowalski – Deputy Chairperson of the Supervisory Board,
- Łukasz Wierdak – Member of the Supervisory Board,
- Jacek Osowski – Member of the Supervisory Board,
- Cezary Smorszczewski — Member of the Supervisory Board.

Changes in the Management Board and the Supervisory Board are described in item 16 of "Other information" in the Management Board's report on the Issuer's activities.

2. Basis for preparation of the financial statements

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), as approved by the European Union, and in matters not regulated in the said standards, in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 No 47, item 330, as amended) and secondary legislation issued pursuant to this Act, and in accordance with the requirements stipulated in the Regulation of the Minister of Finance of 19 February 2009, taking into account the amendments resulting from the Regulation of the Minister of Finance of 3 April 2012 and Regulation of the Minister of Finance of 25 May 2016 (Journal of Laws of 2016, item 860).

NOTE 2.
SIGNIFICANT ACCOUNTING POLICIES

The financial year is the calendar year.

The financial data have been stated in thousands of PLN unless stated with greater accuracy in specific cases. The Polish zloty (PLN) is both the functional and the reporting currency.

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date on which the financial statements were prepared, there were no circumstances indicating any threat to the Company continuing as a going concern.

1. Declaration of compliance

The financial statements of ATM S.A. for the period ended 31 December 2016 and comparable data for the financial year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards, as approved by the European Union.

2. Adoption of International Financial Reporting Standards

Early application of standards and interpretations

When preparing these separate financial statements, the Management Board of the Company decided that none of the Standards will be applied early.

New standards and interpretations that have been published but are not applicable yet

The following standards or amendments to applicable standards and interpretations have not been adopted by the European Union or are not effective as at 1 January 2016:

Standard	Description of amendments	Effective date
IFRS 9 Financial Instruments	Change in classification and measurement – replacing the existing categories of financial instruments with two categories: measured at the amortised cost and at fair value. Changes in hedge accounting.	1 January 2018
IFRS 14 Regulatory Deferral Accounts	Principles of accounting and disclosures for regulatory deferral accounts.	The current version of the standard will not be applicable in the EU.
IFRS 15 Revenue from Contracts with Customers and clarifications to IFRS 15	The standard applies to all contracts concluded with customers, except those which fall within the scope of other IFRSs (i.e. leases, insurance contracts and financial instruments). IFRS 15 lays down uniform requirements concerning recognition of revenue.	1 January 2018
IFRS 16 Leases	The standard eliminates the differentiation between the operating lease and finance lease for the lessee. All contracts that comply with the definition of lease will be recognised, in principle, as finance leases.	1 January 2019
Amendments to IAS 12	Clarification of the method for the settlement of deferred tax assets on unrealised losses.	1 January 2017
Amendments to IAS 7	Initiative related to changes in the scope of disclosures.	1 January 2017
Amendments to IFRS 10 and IAS 28	Guidelines concerning sale or contribution of assets between an investor and its associate or joint venture.	Not specified
Amendments to IFRS 2	Classification and measurement of share-based payments.	1 January 2018
Amendments to IFRS 4	Application of IFRS 9 Financial Instruments in combination with IFRS 4 Insurance Contracts.	1 January 2018
Annual improvements to IFRS (2014-2016 cycle)	A set of amendments concerning: IFRS 1 — deletion of short-term exemptions for first-time adopters; IFRS 12 — clarification of the scope of the disclosure requirements; IAS 28 — measuring investees at fair value through profit or loss on an investment-by-investment basis.	1 January 2018/ 1 January 2017
Amendments to IAS 40	Reclassification of real property, i.e. transferring assets from investment property to other groups.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Guidelines on determining the transaction date, and consequently the SPOT exchange rate to be used when the advance consideration paid or received is denominated in a foreign currency.	1 January 2018

The new standard IFRS 9 Financial Instruments brings fundamental changes to classification, presentation and measurement of financial instruments. As part of the standard, a new model for calculating impairment will be introduced that will require more timely recognition of expected credit losses and rules for hedge accounting will be updated. Primarily, these changes are intended to adapt the requirements in the field of risk management, allowing preparers of financial statements to reflect the entity's actions more accurately.

Analysis of the implementation of IFRS 9 has not been completed yet, nonetheless the Company believes that the standard should not have significant impact on the financial results reported.

The new IFRS 15 "Revenue from Contracts with Customers" is intended to unify the principles of revenue recognition (except for specific revenues regulated by other IFRS/IAS) and indicate disclosure requirements. Application of the standard may change the manner of recognising the Company's revenue. Analysis of the impact of IFRS 15 has not been completed yet, nonetheless preliminary evaluation indicates that the standard should not have significant influence on the Company's future financial statements.

The new IFRS 16 "Leases" changes the principles for the recognition of contracts which meet the criteria of a lease. The main change is to eliminate the classification of leases as either operating leases or finance leases. All contracts which meet the criteria of lease will be recognized as finance lease. Adoption of the standard will have the following effect:

- in the statement of financial position: increase of non-financial fixed assets and financial liabilities,
- in the statement of comprehensive income: decrease of operating expenses (other than depreciation/amortisation), increase of depreciation/amortisation and financial expenses.

Amendments to standards and interpretations of the IFRS that entered into force in the period from 1 January 2016 to the date of approval of these separate financial statements for publication did not have a material impact on these financial statements.

The Company intends to adopt the above-mentioned new standards, amendments to standards and interpretations of the IFRS published by the International Accounting Standards Board but not yet effective as at the reporting date, when they become effective.

As at the reporting date, the Company has not yet finalised the process of assessing the impact of new Standards and Interpretations, which will come into force after the reporting date, on the financial statements.

3. Estimates of the Management Board

During the preparation of these financial statements, the Management Board relies on estimates based on certain assumptions and judgements. These estimates affect the adopted principles and the presented amounts of assets, liabilities, revenue and costs.

The estimates and the related underlying assumptions are based on historical experience and the analysis of diverse factors which are considered reasonable under given circumstances; their results form the basis for professional judgement regarding the value of individual items they concern.

With regard to certain significant issues, the Management Board relies on opinions voiced by independent experts.

Due to the nature of estimates and the adopted forward-looking assumptions, the accounting estimates arrived at in this manner may, by definition, differ from the actual results. The estimates and assumptions adopted are subject to ongoing verification. Any change in accounting estimates will be recognised in the period in which they have been changed, if they concern this period only, or also in subsequent periods.

The Company makes regular (at least annual — on the balance sheet date) estimates concerning the correct determination of the useful life of individual fixed assets, the potential residual value of individual assets, as well as receivable and inventory revaluation write-downs. These estimates are primarily based on historical experience and the analysis of various factors affecting the use of assets and the possibility of taking advantage of the related economic profits.

Moreover, the Company — in accordance with IAS 28, 36 and 39 — conducts periodical verification whether there are any indications of possible impairment of the investment in shares of an associate. If such indications exists, the Company conducts an impairment test (the value in use of the Issuer's shares in the associate is estimated).

4. Accounting principles

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally coupled with the control of more than one half of the overall voting rights in their decision-making bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Associates

Associates are all entities over which the Company has significant influence but not control, generally meaning the control of between 20% and 50% of the total voting rights in decision-making bodies.

Intangible assets

Intangible assets include assets that lack physical substance, are identifiable and can be reliably valued, and which will result in the flow of economic benefits to the entity in the future.

Intangible assets are initially recognised at acquisition price or cost of production.

Intangible assets created as a result of development works are recognised in the balance sheet after the following conditions are met:

- from the technical point of view, the intangible asset can be completed so that it can be sold or used;
- it is possible to demonstrate the intention to complete the asset as well as to use and sell it;
- the asset will be fit for use or sale;
- the manner in which the asset will generate future economic benefits is known;
- technical and financial resources required to complete the development works and to use and sell the asset will be provided;
- it is possible to determine reliably the expenditure incurred during development works.

The expenditure incurred during research work and expenditure that does not meet the aforementioned conditions is recognised as cost in the profit and loss account on the date it is incurred, under general and administrative expenses.

Expenditure incurred in order to obtain perpetual land usufruct rights is also included in intangible assets. Perpetual usufruct of land is treated as operating lease, therefore the subject of usufruct is not included in the assets. However, expenses incurred in order to obtain such rights in the secondary market (from other undertakings), and expenses related to granting such rights by competent state authorities, are recognised as intangible assets and are amortised over the contractual period during which the entity can use such rights.

Rates adopted for amortisation of intangible assets reflect their predicted useful life. The Company does not have intangible assets with indefinite useful life. Intangible assets with definite useful lives are amortised using the diminishing balance method. Useful lives for individual intangible assets are as follows:

obtained perpetual usufruct rights	100 years
software licenses	2-3 years
development work	3–5 years
trademarks	5 years
copyrights	5 years

Intangible assets are tested for impairment where there are circumstances indicating impairment; for intangible assets in development the potential impairment is determined on every balance sheet date. The effects of intangible impairment and amortisation are recognised as costs related to core business.

As at the balance sheet date, intangible assets are measured at cost less amortisation charges and any impairment write-downs.

Tangible fixed assets

Tangible fixed assets include fixed assets and expenditure for fixed assets under construction which the entity intends to use in its activities and for administrative purposes over a period longer than one year, and which will cause future economic benefits to flow to the entity. Fixed asset expenditure includes the incurred investment expenditure as well as expenditure incurred in relation to the future supplies of machinery, equipment and services related to the construction of fixed assets (advance payments).

Fixed assets and fixed assets under construction are initially recognised at acquisition price or production cost.

Fixed assets include important specialist replacement parts that function as elements of a fixed asset. Significant components, including intangible ones, are also recognised as separate fixed asset items.

Fixed assets under construction for production, rental or administrative purposes, as well as for purposes not yet specified are recognised in the financial statements at cost of production less impairment write-downs. Production cost includes charges and, for specific assets, borrowing costs capitalised in accordance with the Company's accounting principles. Depreciation of these fixed assets begins when they are used for the first time, in accordance with the principles concerning other fixed assets.

Rates adopted for the depreciation of fixed assets, including components and specialist replacement parts, reflect their predicted useful life. The estimated useful life is verified on an annual basis. Fixed assets are depreciated using the diminishing balance method. Useful lives for individual fixed asset items are as follows:

buildings and structures	from 10 to 40 years
machinery and equipment	from 4 to 10 years
vehicles	from 5 to 7 years
other fixed assets	from 4 to 10 years

Own land is not subject to depreciation. The Company treats perpetual land usufruct rights granted as operating lease. Where such rights are purchased in the secondary market, they are recognised as intangible assets and depreciated over their predicted useful life.

Fixed assets and fixed assets under construction are tested for impairment where there are circumstances indicating impairment; for fixed assets under construction in the development stage the potential impairment is determined on every balance sheet date. The effects of impairment of fixed assets and fixed assets under construction are recognised as other operating expenses.

On the balance sheet date, fixed assets and fixed assets under construction are valued at cost less depreciation charges and any impairment write-down.

Financial assets

The Company classifies financial assets to one of the following categories: financial assets measured at fair value through profit or loss, loans granted and own receivables, financial assets held to maturity and financial assets available for sale. The classification of an individual financial asset depends on the purpose of the financial asset, intentions of the Management Board and on whether the financial asset in question is quoted in the market. The Management Board determines the aforementioned classification on the initial recognition of a given asset and, in justified cases, performs an appropriate reclassification in subsequent periods, except for the reclassification of financial assets measured at fair value through profit or loss. Reclassification in and out of financial assets measured at fair value through profit or loss is prohibited.

a) Financial assets measured at fair value through profit and loss account

   This category includes financial assets held for trading and financial assets designated on initial recognition to be measured at fair value. Financial assets are classified in this category if they are intended for sale in the short term. Derivatives (except for hedging instruments) are also classified as financial assets held for trading.

   Financial assets measured at fair value through profit and loss account are initially recognised at fair value, while transaction costs are recognised directly in the profit and loss account. Gains and losses resulting from changes the in fair value are recognised in profit or loss in the period in which they occurred.

b) Loans granted and own receivables

   Loans granted and own receivables comprise financial assets which are not financial instruments, with fixed or determinable payments, not quoted and not acquired in order to be sold.

   Loans granted and own receivables are initially measured at fair value together with transaction costs, unless these are immaterial. As at the balance sheet date, this category is measured at amortised cost with the effective interest rate method.

Receivables are initially recognised at fair value. Where such normal payment deadlines are applied as are accepted in practice in the market for similar transactions, fair value is deemed to be their face value arising on the date on which the revenue is recognised.

As at the balance sheet date, trade receivables are measured at their amortised cost using the effective interest rate method, according to the prudence principle. The value of receivables is adjusted with a view to the likelihood of their repayment by making revaluation write-downs, for receivables:

- from debtors in liquidation or bankruptcy – up to the amount of receivables not hedged;
- from debtors where a bankruptcy petition has been dismissed – 100% of the amount of receivables;
- disputed receivables or receivables that are overdue and their payment is not probable – to the amount of receivables not hedged;
- equivalent to amounts increasing receivables – up to these amounts;
- receivables that are overdue or not overdue but for which it is highly probable that they will not be collected – 100% of the amount of receivables.

Revaluation write-downs for receivables and their reversals are charged to other operating expenses and operating revenue, respectively. Receivables in foreign currencies are recognised in accounting records and measured as at the balance sheet date according to the principles described in the “Foreign Currency Transactions” section.

Receivables whose maturity exceeds 12 months are recognised as “other fixed assets” in the balance sheet.

c) Financial assets held to maturity

Financial assets held to maturity include financial assets with fixed or determinable payments or fixed maturity, which the Company intends and is able to hold to maturity, except for loans granted and own receivables.

Financial assets held to maturity are initially measured at fair value together with transaction costs, unless these are immaterial. As at the balance sheet date, this category is measured at amortised cost with the effective interest rate method.

d) Financial assets available for sale

Among financial assets available for sale, the Company includes all financial assets that are not: loans granted and own receivables, financial assets held to maturity and financial assets held for trading. Assets available for sale include in particular shares in other undertakings that are not subordinated entities, which the Company does not intend to sell in the short term.

Financial assets available for sale are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at fair value.

Interest income related to financial assets available for sale is recognised in the profit and loss account using the effective interest rate method. Dividends related to financial assets available for sale are recognised in the profit and loss account on the date when the Company’s rights to receive payment are established. All other fair value movements are recognised in equity. On the sale or expiry of these assets, the valuation effects included in equity are recognised in the profit and loss account.

All financial assets are derecognised when the rights to receive benefits from a given asset expire or have been transferred and the Company has transferred virtually all benefits and risks related to the asset.

Financial assets are recognised as current assets unless their maturity exceeds 12 months from the balance sheet date; in this case, they are recognised as fixed assets.

Financial instruments and hedges

Financial instruments are recognised and measured at fair value on the balance sheet date. Methods for recognising gains and losses related to these instruments depend on whether the instrument in question was designated as a hedge and on the nature of this hedge. A given instrument may be designated as a fair value hedge, cash flow hedge or a foreign investment hedge.

The Company did not apply hedge accounting in the periods covered by the financial statements.

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or during the provision of services. Inventories include materials, goods, finished products and production in progress.

Materials and goods are initially measured at acquisition price. As at the balance sheet date, materials and goods are measured according to the prudence principle, i.e. these categories are measured at the lower of acquisition price or realisable sales value.

Finished products and production in progress are initially valued at their actual cost of production. On the balance sheet date, finished products and production in progress are valued according to the prudence principle.

Inventories of goods, materials and finished products are subject to revaluation write-downs according to the following principles:

- goods inventories:
    - goods remaining in warehouse from 6 months to 1 year 5%
    - goods remaining in warehouse from 1 year to 2 years10%
    - goods remaining in warehouse from 2 to 3 years 30%
    - goods remaining in warehouse from 3 to 4 years 50%
    - goods remaining in warehouse for more than 5 years100%
- materials inventories:
    - the value of materials is recognised in the costs of goods sold over 5 years on a straight line basis.

Inventory expenditure is based on detailed identification for items allocated to specific projects or, according to the FIFO method, for remaining inventories; costs are recognised in the cost of goods sold. Revaluation write-downs concerning inventories resulting from prudent valuation as well as revaluation write-downs for slow-moving goods and their reversals are recognised in the cost of goods sold.

Other current and fixed assets

Other current assets include prepayments. This category includes such expenses incurred, which constitute deferred costs. Prepayments are initially recognised in the amount of expenses incurred. On the balance sheet date, they are valued according to the prudence principle. Prepayments are absorbed on the time basis or on the basis of the amount of service, depending on their nature. Where expenses are settled more than 12 months after the balance sheet date, some of the assets are recognised as “other fixed assets” in the balance sheet.

Cash and cash equivalents

Cash includes cash in hand and cash in bank accounts, including cash held in bank deposits. Cash equivalents include short-term, highly liquid investments, easily convertible into known amounts of cash and subject to insignificant risks of changes in value, including interest due on bank deposits. Cash and cash equivalents are measured at face value. Cash and cash equivalents in foreign currencies are recognised in accounting records and measured as at the balance sheet date according to the principles described in the “Foreign Currency Transactions” section. For the purposes of cash flow statements, cash and cash equivalents are defined in the same manner as for the purposes of their recognition in the balance sheet.

Bank loans and borrowings

Bank loans and borrowings are recognised at amortised cost using the effective interest rate method. Authorised overdrafts for which no repayment schedules have been set are an exception. For such loans, the costs related to obtaining them and other fees are charged to financial expenses during the period when they are incurred. In other cases, financial expenses, including the fees due on repayment or redemption and the direct costs of credit contracting, are recognised in the profit and loss account using the effective interest rate method, and they increase the book value of the instrument, taking into account repayments made during the current period.

Trade and other liabilities

Liabilities are commitments to provide services, resulting from past events, whose value has been determined in a fair manner and which will consume the Company's already existing or future assets.

Liabilities are initially recognised at fair value. Where normal payment deadlines are applied, as accepted in the market for similar transactions, fair value is deemed to be their face value arising at the date on which the liability is recognised. As at the balance sheet date, liabilities are measured at amortised cost and recognised in the balance sheet as long- and short-term liabilities.

Other liabilities include accruals. Such items include liabilities due for goods or services that have been received or provided, but have not been paid for, invoiced or formally agreed with the supplier, including the amounts due to employees, e.g. for outstanding leaves or bonuses. Despite the fact that in such cases the amount or date of payment for such liabilities has to be estimated, the degree of uncertainty is usually much lower than for provisions and therefore such items are classified as liabilities.

Liabilities in foreign currencies are recognised in books and measured as at the balance sheet date according to the principles described in the "Foreign Currency Transactions" section.

Provisions

Provisions are established where the Company is under a legal or constructive obligation resulting from past events and where it is probable that the settlement of this obligation will necessitate an outflow of resources constituting economic benefits and where the amount of this obligation can be reliably estimated, but the amount of this obligation or the date when it becomes due are not certain. Where the effect of the value of money in time is material, the amount of provision is determined through the discounting of forecast future cash flows to present value, with the use of a discount rate reflecting the current market evaluations of the value of money in time and the risks specific to the liability in question. Increases in provisions based on the discounting method over time are recognised as borrowing costs.

If the Company expects that the costs included in the provision will be reimbursed in any manner, the reimbursement is recognised as a separate asset when, and only when, it is certain that the reimbursement will be received.

Provisions for specific risks are only established where the outflow of economic benefits from the entity is probable and the estimate may be conducted in a reliable manner.

As concerns employee benefits, the Company is not a party to any wage bargaining agreements or collective employment agreements. Moreover, the Company does not participate in any pension schemes managed directly by the Company or by external funds. Costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to the labour law provisions after their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods. Due to the intangible nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, provisions for retirement benefits have not been recognised in the financial statements.

Foreign currency transactions

Economic operations expressed in foreign currencies are recognised in financial statements as at the date on which they are conducted at the following exchange rates:

- the exchange rate actually applied on the given date, resulting from the nature of operations – for foreign exchange sale or purchase transactions and receivables or liabilities payments;
- the average exchange rate determined for the currency in question by the National Bank of Poland on the date in question unless another exchange rate was specified in the customs declaration or another document which is binding for the entity — for other operations.

Assets and liabilities denominated in foreign currencies are measured as at the balance sheet date according to the average exchange rate for the currency in question published by the National Bank of Poland. Foreign exchange differences arising from the settlement of transactions expressed in foreign currencies as well as arising from the balance sheet valuation of assets and liabilities items expressed in foreign currencies and concerning the Company's core business (operations) are recognised as financial expenses and income. Foreign exchange gains and losses are offset before their presentation in the financial statements.

The average exchange rates used to value the foreign exchange positions held by the Company in the periods included in the present financial statements were as follows:

Currency	Average NBP rate as at 31 December 2015	Average NBP rate as at 31 December 2016
EUR	4.2615	4.4240
USD	3.9011	4.1793

Leases

A lease is classified as a finance lease if agreement terms and conditions transfer substantially all potential risks and benefits resulting from the use of the lease object to the lessee. All other types of leases are classified as operating leases.

Assets used pursuant to finance lease agreements are treated as Company assets and are measured at fair value on acquisition, not higher, however, than the current value of minimum lease payments. The liability thus arising to the lessor is presented in the balance sheet under other financial liabilities. Lease payments are apportioned between the interest and the principal, so that the interest rate on outstanding liability remains fixed. Interest expenses are recognised as financial expenses in the profit and loss account.

Operating lease payments are recognised as an expense in the profit and loss account over the lease term on a straight-line basis. Received and outstanding benefits as an incentive to conclude an operating lease agreement are recognised in the profit and loss account over the lease term on a straight-line basis.

Impairment

As at each balance sheet date, the Group reviews the balance sheet value of fixed assets to look for any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount is estimated in order to determine a potential write-down. Where an asset does not generate cash flows that are largely independent of cash flows from other assets, the analysis is conducted for the group of cash flow generating assets to which the asset in question belongs. The recoverable amount is determined as the higher of the following two values: the fair value less costs to sell or the value in use, which corresponds to the present value of estimated future cash flows discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset (if any).

Where the recoverable amount is lower than the net book value of an asset or a group of assets, the book value is reduced to match the recoverable amount. The resulting loss is charged to expenses in the period during which the impairment occurred.

Goodwill and intangible assets in the development process are tested for impairment on an annual basis.

Where impairment is reversed, the net value of an asset is increased to match the newly estimated recoverable amount, which cannot be higher, however, than the net value of this asset which would have been determined if the impairment had not been recognised in previous periods. Impairment reversal is recognised as an adjustment to expenses in the period during which reasons for impairment ceased to exist. Impairment write-downs for goodwill cannot be reversed.

Revenue

Sales revenue is recognised at fair value of consideration received or due and represents amounts due for products, goods and services provided under ordinary business activities after the deduction of rebates, VAT and other sales-related taxes.

Revenue from sales with deferred payment is recognised after deducting a discount.

Sales of products and goods are recognised when goods have been delivered and significant delivery-related risk has been transferred to the receiver.

Revenue from the provision of services is recognised based on the stage of completion. Where the result of the service cannot be determined reliably, the revenue arising from it is recognised only to the extent of the expenses incurred which the Company expects to recover. Where the sale price of the service in question includes the identifiable value of maintenance services that will be provided in the future, the amount corresponding to this part of revenue is deferred and recognised in the profit and loss account in the periods when the services in question are provided.

Interest income is recognised on a cumulative basis relating to the main amount due, using the effective interest rate method.

Dividend income is recognised when the shareholders' right to receive payment is established.

Borrowing costs

Borrowing costs directly related to the acquisition or production of assets which require more time in order to commission them for use are recognised as costs of production of such assets until the assets are basically ready for their intended use or sale.

Revenue from investments earned as a result of short-term investments of acquired external funds allocated directly to the financing of acquisition or production of assets reduces borrowing costs subject to capitalisation.

Government subsidies

Subsidies are not recognised until obtaining a reasonable assurance that the Company meets the necessary conditions and will receive such subsidies.

Subsidies which involve a principal condition that the Company acquires or develops fixed assets, are recognised in the statement of financial position under financial liabilities and charged to the profit or loss systematically throughout the expected economic life of such assets.

Other subsidies are systematically recognised in the revenue, over the period necessary to compensate the expenses which the subsidies were intended to compensate. Subsidies due as a compensation of expenses or losses already incurred or as a form of direct financial support for the Company without incurring future expenses are recognised in the profit and loss account in the period in which they are due.

Rules applicable to the recognition of subsidies to fixed assets are also applied to transactions of free of charge receipt of fixed assets.

Costs of employee benefits

Short-term employee benefits, including contributions to particular pension schemes, are recognised in the period in which the Company receives the relevant services from an employee and, in the case of profit-sharing and bonus payments, provided the following conditions have been met:

- the Company has an existing legal or constructive obligation to make such payments as a result of past events, and
- a reliable estimate of such obligation can be made.

In the case of benefits for compensated absences, employee benefits are recognised within the scope of accumulating compensated absences upon the completion of work that increases entitlement to future compensated absences. Non-accumulating compensated absences are recognised when they occur.

Liabilities for employee benefits are recognised as an expense, unless they constitute the cost of assets production.

Taxation

Mandatory charges on the financial result include current tax (CIT) and deferred tax.

Current tax expense is calculated on the basis of taxable profit (tax base) for a given fiscal year. Tax profit (loss) differs from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to taxation. Tax expense is calculated based on the tax rates applicable to the financial year in question.

Deferred tax is calculated using the balance method as tax to be paid or returned in the future, based on differences between the carrying amount of assets and liabilities and the corresponding tax values used to calculate the tax base.

The deferred tax provision is established for all taxable temporary differences subject to taxation, while a deferred tax asset is recognised to the extent that it is probable that the future taxable profit will be decreased by the recognised deductible temporary differences and tax losses or tax credits that can be utilised by the Company. The deferred tax asset or deferred tax provisions are not recognised where the temporary difference arises from the initial recognition of goodwill or from the initial recognition of another asset or liability in a transaction that does not affect either the taxable or the accounting profit.

The value of deferred tax assets is subject to analysis as at every balance sheet date, and where the expected future taxable profit is not sufficient to realise the asset or part thereof, it is written down.

Deferred tax is calculated using tax rates that will be applicable at the time when the asset is realised or the liability becomes due. Deferred tax is recognised in the profit and loss account, except for cases where it is related to items recognised directly in equity. In the latter case, the deferred tax is also charged or credited directly to equity.

In the balance sheet, income tax assets and liabilities are offset to the extent the liability is payable to the same tax office.

The Company offsets the deferred tax assets and provisions and presents the result of such offsets in the balance sheet assets or liabilities, respectively.

Discontinued operations

Discontinued operations constitute a component of the Company's operations which represents a separate major line of business or geographical area of operations that has been disposed of or assigned to be sold or handed over, or it is a subsidiary acquired exclusively with a view to resell. Classification as discontinued operations is performed as a result of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued, the comparative data for the total income statement are restated as if the operation was discontinued at the beginning of the comparative period.

NOTE 3.
SALES REVENUE

Structure of sales revenue

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Revenue from sales of products	131,791	130,674
Revenue from sales of goods and materials	260	808
Total sales revenue	**132,050**	**131,483**
of which:		
- to related entities	146	323

Main products

For detailed description of products and revenue earned from such products, see item 1 of "Other information" in the Management Board's report on the Issuer's activities.

Operating segments

The operations of the Issuer are divided into two operating segments, which group together the basic categories of services provided by the Issuer:

- the Data Center Services Segment, including collocation services and other services relating to data center infrastructure (such as the leasing of dedicated servers, cloud computing services and backup office services);

- the Telecommunications Services Segment, including broadband data transmission services, telecommunications connection leasing services, Internet access services and voice services (ISDN and VoIP).

The column marked “Other” shows revenue obtained outside the core operating segments, including from the sale of services of an administrative nature. The revenue in this category makes only a small (and decreasing) contribution to the overall profit on sales and does not represent a significant burden on the Company’s fixed costs.

The allocation of fixed assets is based on identification of their actual use. For assets used by both segments, allocation is made based on indices. The value of the Issuer’s shares in its associated company is shown in the column marked “Other”.

Variable costs of sales, costs of depreciation and amortisation, as well as remuneration of employees in the organisational units responsible for the performance of services are allocated to segments in accordance with their direct relationship. Other operating costs are allocated to the appropriate segments proportionally to revenue or to costs of remuneration.

Company's results broken down by operating segment in the period from 1 January 2016 to 31 December 2016:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**170,131**	**163,136**	**47,881**	**381,148**
Sales revenue	55,098	72,238	4,715	132,050
of which: sales associated with data center services	-	21,235	-	21,235
Cost of sales (variable)	16,058	40,276	4,654	60,988
Sales margin	39,039	31,961	61	71,062
Fixed costs	29,109	30,102	-	59,211
of which: depreciation and amortisation	13,520	10,429	-	23,949
Other net operating revenue and costs	(1,621)	(2,880)	-	(4,501)
Operating profit (loss)	**8,309**	**(1,021)**	**61**	**7,350**
EBITDA	**21,829**	**9,407**	**61**	**31,299**
Revenue from subsidies	1,554	-	-	1,554
Net financial revenue and expenses				(19,822)
Profit (loss) before tax				**(10,917)**
Income tax				(1,126)
Net profit (loss)				**(9,791)**

(all amounts are presented in PLN thousand, unless specified otherwise)

Company's results broken down by operating segment in the period from 1 January 2015 to 31 December 2015:

	Data Center Services Segment	Telecommunications Services Segment	Other	Total
Fixed assets	**168,336**	**165,218**	**54,813**	**388,367**
Sales revenue	49,240	74,575	7,668	131,483
of which: sales associated with data center services	-	21,120	-	21,120
Cost of sales (variable)	16,005	40,455	6,849	63,309
Sales margin	33,234	34,120	819	68,174
Fixed costs	24,880	31,050	1,284	57,214
of which: depreciation and amortisation	11,583	10,443	1,271	23,297
Other net operating revenue and costs	662	(503)	(398)	(239)
Operating profit (loss)	**9,016**	**2,567**	**(863)**	**10,722**
EBITDA	**20,599**	**13,010**	**408**	**34,020**
Revenue from subsidies	1,550	-	-	1,550
Net financial revenue and expenses				(3,491)
Profit (loss) before tax				**8,782**
Income tax				3,142
Net profit (loss)				**5,640**

(all amounts are presented in PLN thousand, unless specified otherwise)

Geographical segments as at 31 December 2016 and 2015

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Domestic customers	116,703	117,536
Foreign customers	15,347	13,946
Total sales revenue	**132,050**	**131,483**

In the above table, the item "foreign customers" includes only sales to customers registered outside Poland. This category does not include sales to foreign users for whom services are provided through a Polish-registered entity.

NOTE 4.
OPERATING EXPENSES

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Cost of sales (fixed)	29,487	27,070
Cost of sales (variable)	60,988	63,308
Selling costs	-	-
General and administrative expenses	29,724	30,143
Total costs related to core business	**120,199**	**120,522**
of which:		
Depreciation and amortisation	23,949	23,297
Adjustment by received subsidies to fixed assets	-	-
Materials and energy consumption	12,682	13,612
Third-party services	57,123	55,169
Taxes and fees	1,974	1,239
Payroll	16,867	21,132
Employee benefits	5,580	4,192
Other	1,961	1,610
Value of goods and materials sold	63	272
	120,199	**120,522**
Change in products	-	-
	120,199	**120,522**

The depreciation of tangible fixed assets is based on the principles described in Note 2. Write-downs on inventories are determined based on the principles described in Note 2. Inventory write-downs are reversed when inventories to which the given write-down relates are sold or the circumstances due to which the write-down was made no longer exist. Costs of inventory write-downs as well as their reversal are recognised in the profit and loss account as part of the cost of goods sold.
Costs presented in this note includes costs of the Issuer's restructuring incurred in 2016 and amounting to PLN 4,683 thousand.

Payroll

(all amounts are presented in PLN thousand, unless specified otherwise)

Payroll costs include salaries payable according to the terms and conditions of employment contracts concluded with individual employees. Payroll costs include also bonuses, paid leave and share-based payment.

Employee benefits

Social security costs for the Issuer include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (Fundusz Gwarantowanych Świadczeń) and Labour Fund (Fundusz Pracy). In 2016 and 2015, those contributions amounted to 19.48% and 19.48%, respectively, of the contribution calculation base determined pursuant to applicable laws.

Pension benefit costs include retirement severance paid to employees pursuant to the labour law. Due to the intangible nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, provisions for retirement benefits have not been recognised in the financial statements.

ATM S.A. is obliged to establish the Company Social Benefit Fund (ZFŚS). Contributions to this fund are recognised as the Company's operating expenses and cash allocated to this fund has to be blocked in a separate bank account. In the financial statements, the fund's assets and liabilities are presented in net amounts. Due to the nature of the fund operations, its assets and liabilities are equal. As at 31 December 2016 and 31 December 2015, the Company Social Benefit Fund amounted to PLN 16 thousand and PLN 50 thousand, respectively.

Other employee benefits include training in order to improve employee skills, health care and other benefits stipulated in the labour law.

Costs of research and development

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Costs included directly in costs related to core business	-	-
Amortisation costs related to deferred costs of development works	17	1,352
Total	**17**	**1,352**

Costs of development works are recognised as intangible assets upon fulfilling the conditions and principles described in Note 2. Amortisation of capitalised costs of development works is included in general and administrative expenses. Costs incurred in the research work stage and expenditure that does not meet the conditions required in order to be recognised as assets are directly charged to Company operating expenses as general and administrative costs.

NOTE 5.
OTHER OPERATING REVENUE

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Gain on disposal of fixed assets	-	-
Reversal of receivables revaluation write-downs	9	111
Compensations received	20	1,021
Subsidies received (not related to fixed assets)	-	-
Other	36	25
Total	**65**	**1,157**

(all amounts are presented in PLN thousand, unless specified otherwise)

Revenue and gains that are not directly related to the Company operations are classified as other operating revenue. This category includes received subsidies, profit from sales of property, plant and equipment, damages received as reimbursement of court fees, overpaid tax liabilities (except for corporate income tax) and compensations received for losses regarding the Company's insured property.

Other operating revenue also includes reversals of receivable and inventory revaluation write-downs, as well as write-downs related to property, plant and equipment impairment.

NOTE 6.
OTHER OPERATING EXPENSES

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Loss on disposal and liquidation of fixed assets	1,223	7
Revaluation write-downs on receivables	320	825
Revaluation write-downs on fixed assets	213	92
Donations given	8	8
Fines and penalties paid	-	-
Litigation expenses	-	-
Valuation of the incentive scheme	-	-
Other	2,802	463
Total	**4,566**	**1,395**

Costs and losses related to Company operations, but not directly related to the core types of operating expenses, are classified as other operating expenses. This category includes losses on the disposal of tangible fixed assets, donations to other entities (both in cash and in kind) including public benefit entities, litigation expenses, and expenses related to receivables revaluation write-downs and impairment write-downs. Costs presented in this note includes costs of the Issuer's restructuring incurred in 2016 and amounting to PLN 4,145 thousand. For 2016, the "Other" item presents mainly revaluation write-downs related to disputes under litigation.

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 7.
FINANCIAL REVENUE

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Dividends received and other revenue from shares in profits of legal persons	-	-
Interest on bank deposits	5	8
Interest on deferred and overdue payments	44	36
Interest on borrowings	1	2
Gain on disposal of investments	-	-
Other	100	123
Total	**150**	**168**

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. Financial activity includes also foreign exchange gains.

NOTE 8.
FINANCIAL EXPENSES

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Interest and fees on bank loans	3,931	3,083
Interest on instalment purchases	-	57
Interest on overdue payments	21	20
FX losses	125	42
Finance lease costs	478	934
Loss on the sale of financial assets	-	-
Revaluation of financial assets	16,921	-
Valuation of financial instruments	441	156
Other	41	225
Total	**21,957**	**4,517**

The “Valuation of financial instruments” item is the cost of the revaluation of the IRS contract hedging the interest rate risk in respect of the investment loan.

Borrowing costs, interest payable under finance lease agreements to which the Company is a party and FX losses are classified as financial expenses.

Terms and conditions pursuant to which the Company uses external sources of funding (bank loans) have been presented in Note 20.

The revaluation of financial assets relates to the write-down for the impairment of the Issuer’s shares in an associated entity – this issue has been discussed in detail in Note 13.

Costs presented in this note includes costs of the Issuer’s restructuring incurred in 2016 and amounting to PLN 71 thousand.

Disclosure of income, expense, gains or losses, by financial instruments category

(all amounts are presented in PLN thousand, unless specified otherwise)

For the period 01/01–31/12/2016	Financial assets measured through profit or loss	Financial assets measured at fair value through profit or loss (determined upon initial recognition)	Financial assets held to maturity	Financial assets available for sale	Loans granted and own receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Income/expenses under fair value measurement	-	-	-	-	-	(441)	-	(441)
Income/expenses under fair value measurement transferred from equity	-	-	-	-	-	-	-	-
Interest income/expenses	-	-	-	-	50	-	(3,951)	(3,901)
Interest income concerning impaired assets	-	-	-	-	-	-	-	-
Reversal of revaluation write-downs	-	-	-	-	-	-	-	-
FX gains/losses	-	-	-	-	-	-	(3)	(3)
Revaluation of financial assets	-	-	-	-	-	-	-	-
Costs of derivatives execution	-	-	-	-	-	-	-	-
Other: including finance lease costs	-	-	-	-	100	-	(641)	(541)
Total gain/loss	**-**	**-**	**-**	**-**	**150**	**(441)**	**(4,595)**	**(4,887)**

(all amounts are presented in PLN thousand, unless specified otherwise)

For the period 01/01–31/12/2015	Financial assets measured through profit or loss	Financial assets measured at fair value through profit or loss (determined upon initial recognition)	Financial assets held to maturity	Financial assets available for sale	Loans granted and own receivables	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Income/expenses under fair value measurement	-	-	-	-	-	(156)	-	(156)
Income/expenses under fair value measurement transferred from equity	-	-	-	-	-	-	-	-
Interest income/expenses	-	-	-	-	45	-	(3,159)	(3,114)
Interest income concerning impaired assets	-	-	-	-	-	-	-	-
Recognition of revaluation write-downs	-	-	-	-	-	-	-	-
Reversal of revaluation write-downs	-	-	-	-	-	-	-	-
FX gains/losses	-	-	-	-	-	-	(42)	(42)
Gains/losses on disposal of financial instruments	-	-	-	-	-	-	-	-
Costs of derivatives execution	-	-	-	-	-	-	-	-
Other: including finance lease costs	-	-	-	-	123	-	(1,159)	(1,036)
Total gain/loss	**-**	**-**	**-**	**-**	**168**	**(156)**	**(4,361)**	**(4,349)**

NOTE 9.
INCOME TAX

(all amounts are presented in PLN thousand, unless specified otherwise)

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Statutory tax rate	19%	19%
Current income tax	**1,234**	**722**
Current tax expense	1,234	722
Adjustments concerning previous years	-	-
Deferred income tax	**(2,361)**	**2,420**
Relating to the occurrence and reversal of temporary differences	(2,361)	2,420
Relating to change in the tax rate	**-**	**-**
Tax expense reported in the profit and loss account	**(1,126)**	**3,142**

The current tax expense is calculated on the basis of applicable tax regulations. Pursuant to these regulations, tax profit (loss) is distinguished from the accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to taxation. Tax expense is calculated based on the tax rates applicable to the financial year in question.

Both the tax and balance sheet years are identical with the calendar year.

Differences between the nominal and effective tax rates are as follows:

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Gross result before taxation	(10,917)	8,782
Statutory tax rate	19%	19%
Tax at the tax rate	**(2,074)**	**1,669**
Permanent differences (including: State Fund for the Rehabilitation of the Disabled, representation costs)	948	1,473
Other differences (including share in the profit or loss of equity-accounted entities)	-	-
Tax at the effective rate	**(1,126)**	**3,142**

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. Deferred income tax as at 31 December 2016 and 31 December 2015 results from the items shown in the table below.

(all amounts are presented in PLN thousand, unless specified otherwise)

	Statement of financial position		Statement of comprehensive income	
	End of period 31/12/2016	End of period 31/12/2015	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Deferred tax provision				
Difference between the carrying amount and tax value of tangible fixed assets	7,677	6,642	1,035	2,476
Recognised service revenue	-	12	(12)	(40)
Receivable compensation	-	-	-	-
Accrued interest	6	6	-	-
Valuation of financial instruments	-	-	-	-
Subsidies received – settlement	-	-	-	-
Foreign exchange gains	-	-	-	-
Provision for deferred tax acquired as a result of a business combination	-	-	-	-
Gross deferred tax provision	**7,683**	**6,660**	**1,023**	**2,436**
Deferred tax assets				
Valuation of financial instruments	-	-	-	-
Difference between the carrying amount and tax value of tangible fixed assets	-	-	-	-
Deferred payment revenue	-	-	-	-
Revenue settled over time	-	-	-	-
Write-downs on inventories	469	487	18	(337)
Write-downs on receivables	280	225	(55)	(99)
Write-downs on financial assets	4,259	1,928	(2,332)	(77)
Provisions for service expenses	-	-	-	185
Provisions for employee benefits	-	-	-	-
Foreign exchange losses	-	-	-	-
Liabilities to the Social Insurance Institution (ZUS)	-	-	-	-
Liabilities to employees	-	-	-	-
Deferred income/expenses and accruals	1,276	200	(1,076)	(200)
Subsidies received	-	-	-	-
Effects of IRS valuation	88	147	60	134
Recognised interest	-	-	-	11
Deductible tax losses	-	-	-	367
Deferred tax assets acquired through a business combination	-	-	-	-
Gross deferred tax assets	**6,371**	**2,987**	**(3,384)**	**(16)**
Net tax assets (tax provision)	**(1,312)**	**(3,673)**		
Deferred income tax charge against profit			**(2,361)**	**2,420**

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 10.
EARNINGS PER SHARE AND DIVIDENDS

	For the period 01/01–31/12/2016	For the period 01/01–31/12/2015
Weighted average number of shares	36,343,344	36,343,344
Net profit (loss) for 12 months (in PLN thousand)	(9,791)	5,640
Net profit (loss) per share (in PLN)	-0.27	0.16
Diluted net profit (loss) per share (in PLN)	-0.27	0.16

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary Company shareholders by the weighted average number of ordinary shares issued that are outstanding during the financial year.

ATM S.A. shares are ordinary shares and no preference is attached to them concerning either voting rights or dividend payouts.

Dividends paid and declared

On 28 June 2016, the Ordinary General Meeting of the Company adopted a resolution, in accordance with the Management Board's recommendation, allocating the entire net profit generated by the Company in 2015, i.e. PLN 5,639,805.91, to the reserve capital.

NOTE 11.
INTANGIBLE ASSETS

	End of period 31/12/2016	End of period 31/12/2015
Goodwill	-	-
Costs of completed development works	71	88
Concessions and licenses	7,179	2,851
Perpetual usufruct rights	-	-
Other intangible assets	-	-
Total	**7,250**	**2,939**

Development works are recognised as assets and amortised based on the principles described in Note 2.

Concessions and licenses concern primarily licenses for computer systems and software tools used in the Company's operations.

As at 31 December 2016, there were no impairment write-downs on intangible assets.

There were no intangible assets whose legal ownership is subject to restrictions or pledged as collateral.

There are no contractual obligations for the acquisition of intangible assets.

In 2016, major objects of investments in intangible assets included expenditure related to the replacement of key IT systems of the Company — the CRM, Provisioning and ERP systems (approx. PLN 4.5 million in total).

Changes in the net amount of intangible assets are presented in the following tables.

Changes in intangible assets in the period from 1 January to 31 December 2016

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at 1 January 2016	**7,499**	**10,191**			**17,690**
Increases:					
- acquisition	-	5,513	-	-	5,513
Decreases:					
- sales	-	-	-	-	-
- liquidation	-	408	-	-	408
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2016	**7,499**	**15,296**	**-**	**-**	**22,795**
Accumulated amortisation					
As at 1 January 2016	**7,411**	**7,340**	**-**	**-**	**14,751**
Increases:					
- amortisation	17	1,180	-	-	1,197
- acquired in a business combination	-	-	-	-	-
Decreases:					
- sales and liquidation	-	403	-	-	403
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2016	**7,428**	**8,117**	**-**	**-**	**15,545**
Net as at 1 January 2016	**88**	**2,851**	**-**	**-**	**2,939**
Net as at 31 December 2016	**71**	**7,179**	**-**	**-**	**7,250**

Changes in intangible assets in the period from 1 January to 31 December 2015

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
As at 1 January 2015	**7,499**	**8,950**	**-**	**-**	**16,449**
Increases:					
- acquisition	-	1,257	-	-	1,257
Decreases:					
- sales	-	-	-	-	-
- liquidation	-	16	-	-	16
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2015	**7,499**	**10,191**	**-**	**-**	**17,690**
Accumulated amortisation					
As at 1 January 2015	**6,059**	**6,309**	**-**	**-**	**12,368**

(all amounts are presented in PLN thousand, unless specified otherwise)

Increases:					
- amortisation	1,352	1,047	-	-	2,399
- acquired in a business combination	-	-	-	-	-
Decreases:					-
- sales and liquidation	-	16	-	-	16
- transfers	-	-	-	-	-
- transfer between companies	-	-	-	-	-
As at 31 December 2015	**7,411**	**7,340**	**-**	**-**	**14,751**
Net as at 1 January 2015	**1,440**	**2,641**	**-**	**-**	**4,081**
Net as at 31 December 2015	**88**	**2,851**	**-**	**-**	**2,939**

NOTE 12.
FIXED ASSETS

	End of period 31/12/2016	End of period 31/12/2015
Fixed assets	**326,809**	**327,837**
Land	40,934	40,934
Buildings and structures	211,886	210,603
Machinery and equipment	72,302	73,996
Vehicles	1,369	1,958
Other	318	346
Fixed assets under construction	**5,503**	**3,988**
Advances for fixed assets under construction	**210**	**-**
Total fixed assets	**332,522**	**331,825**
of which:		
Fixed assets used under finance lease agreements	13,688	20,763

In 2016, the amount of fee for the conversion of the right of perpetual usufruct into the ownership of land covered by de minimis aid was recognised in the “Land” item.

The “Buildings and structures” item includes investments in data centers and fibre-optic networks.

The Company uses a part of fixed assets under finance lease agreements.

Finance lease liabilities are recognised in the balance sheet as other financial liabilities and divided into short- and long-term portion. Detailed information on material finance lease agreements has been included in Note 24.

In 2005, the Issuer sold an office property situated at Grochowska 21a to Fortis Lease Sp. z o.o. under a sale-and-lease-back agreement. This lease agreement was classified as operating lease. Detailed information on operating leases has been disclosed in Note 25.

As at 31 December 2016, there were no material impairment write-downs on fixed assets.

Tangible fixed assets whose legal ownership is subject to restrictions or which are covered by commitments include:

- a set of movables with the value of PLN 79,420 thousand – according to a valuation as at 31 December 2016, on which a registered pledge was established as a collateral for investment loans described in Note 20.

- land and buildings, on which mortgage collaterals for investment loans were established (listed in Note 20).

There are no contractual obligations concerning a future acquisition of tangible fixed assets.

(all amounts are presented in PLN thousand, unless specified otherwise)

Changes in fixed assets are presented in the following tables:

Changes in fixed assets from 1 January to 31 December 2016

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2016	**40,934**	**261,969**	**150,228**	**4,575**	**495**	**458,201**
Increases:						
- acquisition	-	9,759	13,528	-	39	23,326
- other (including finance lease)	-	-	-	-	-	-
Decreases:						
- sales	-	20	249	469	-	738
- liquidation	-	25	9,637	-	4	9,666
As at 31 December 2016	**40,934**	**271,683**	**153,870**	**4,106**	**530**	**471,123**
Accumulated depreciation						
As at 1 January 2016	**-**	**51,366**	**76,232**	**2,617**	**149**	**130,364**
Increases:						
- depreciation	-	8,508	14,000	274	66	22,848
- revaluation write-down	-	-	-	186	-	186
Decreases:						
- sales and liquidation	-	77	8,664	340	3	9,084
As at 31 December 2016	**-**	**59,797**	**81,568**	**2,737**	**212**	**144,314**
Net as at 31 December 2016	**40,934**	**211,886**	**72,302**	**1,369**	**318**	**326,809**

(all amounts are presented in PLN thousand, unless specified otherwise)

Changes in fixed assets from 1 January to 31 December 2015

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Total
Gross value						
As at 1 January 2015	**40,934**	**221,448**	**124,600**	**4,842**	**176**	**392,000**
Increases:						
- acquisition	-	40,489	21,844	-	321	62,654
- other (including finance lease)	-	88	4,465	261	-	4,814
Decreases:						
- sales	-	56	494	439	-	989
- liquidation	-	-	187	89	2	278
- transfer between companies	-	-	-	-	-	-
As at 31 December 2015	**40,934**	**261,969**	**150,228**	**4,575**	**495**	**458,201**
Accumulated depreciation						
As at 1 January 2015	**-**	**42,890**	**64,317**	**2,589**	**103**	**109,899**
Increases:						
- depreciation	-	8,489	12,277	314	48	21,128
Decreases:						
- sales and liquidation	-	13	362	286	2	663
- transfer between companies	-	-	-	-	-	-
As at 31 December 2015	**-**	**51,366**	**76,232**	**2,617**	**149**	**130,364**
Net as at 31 December 2015	**40,934**	**210,603**	**73,996**	**1,958**	**346**	**327,837**

NOTE 13.
FINANCIAL ASSETS

INVESTMENTS IN SUBORDINATED ENTITIES

The Company has no shares or interest in subordinated entities.

(all amounts are presented in PLN thousand, unless specified otherwise)

OTHER FINANCIAL ASSETS

INVESTMENTS IN ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

	End of period 31/12/2016	End of period 31/12/2015
Shares in other undertakings	63,487	63,487
(-) impairment write-downs/write-downs due to revaluation using the equity method	(22,414)	(10,141)
Total	**41,073**	**53,346**

No	Name	Registered office	Scope of activity of the enterprise	Type of relationship	Consolidation method	Takeover date	Value of shares at acquisition price	Carrying value of shares	Stake in share capital	Consolidation type indicator (other)	Share in the overall number of votes at the general meeting
1.	Linx Telecommunications Holding B.V.	Hullenbergweg 375 1101 CR Amsterdam, the Netherlands	telecommunications services	Associate	equity method	21.08.2007	63,487	41,073	21	-	21.02

as at the end of 2016	Linx Telecommunications Holding B.V.
I. Entity equity, of which:	**125,677**
1. share capital	580
2. called up share capital	-
3. supplementary capital	105,371
4. other equity components, of which:	19,727
- profit (loss) from previous years and other comprehensive income of the current period	9,981
- net profit (loss)	9,746

(all amounts are presented in PLN thousand, unless specified otherwise)

At the end of 2014, the Issuer concluded that there were grounds specified in IAS 39 indicating the possibility of impairment of investments in shares of the associate Linx Telecommunications Holding B.V. (hereinafter: "Linx"). Therefore, the impairment test was carried out in accordance with IAS 36. As a result of an analysis of the results forecast for further periods, the value in use of the Issuer's shares in Linx was estimated at PLN 53.7 million (PLN 10.5 million less than at the end of 2013).

Due to the continued uncertainty and increased political and economic risk in Russia, which resulted in, among others, fluctuation of the EUR/RUB exchange rate throughout 2015, as well as taking into account the update of financial projections (budget) completed by Linx at the end of 2015, the Issuer carried out another test for the impairment of shares in Linx (in accordance with IAS 36) — this time as at 31 December 2015. The analysis did not indicate any material difference between the value in use of the Issuer's shares in Linx and their carrying amount.

Another test was conducted as at 31 December 2016. Key assumptions made by the Management Board of ATM during the aforementioned impairment test for shares in Linx are presented below:

- The valuation model is based on discounted cash flows for equity owners (FCFE).
- The results forecast of Linx is based on the budget for the years 2017-2018, prepared by the Management Board of Linx, and on forecasts for the company for the years 2019-2021 that assume, in particular (for the most probable, baseline scenario):
  - Average annual revenue growth of 9% for 2017-2021
  - Maintaining the return on sales throughout the forecast period (at approx. 65%)
  - Average annual growth of general and administrative expenses and selling costs of 3% for 2017-2021
  - Average annual EBITDA growth of 18% for 2017-2021
- Linx results for 2016 cover also two core segments of the company's operations (data centres and telecommunications segment). In the model, results for 2017 include proceeds from the sale of the telecommunications segment of Linx (this transaction was reported by the Issuer in periodical reports for the 1st quarter and 1st half of 2016, and in CR No 9/2017 dated 24 March 2017). Further years of the forecast for Linx are based only on results of the data centre segment.
- The pricing was prepared as at 31 December 2016 using the average EUR/PLN exchange rate at that date, i.e. 4.424.
- The pricing was prepared on the basis of a detailed 5-year forecast.
- The growth rate in the residual period was determined at 1.5%.
- The cost of capital (discount rate) was determined using the capital asset pricing model (CAPM) assuming, as the risk-free interest rate, the yield on 30-year eurozone bonds as at 31 December 2016 (projected profits denominated in EUR) and the risk premium for the Russian market (where the main data centers of the Linx Group are located). The value of the beta parameter was determined at the level of an average observed among operators of data centers listed on global stock markets. Finally, the cost of capital for shareholders was determined at the level of 7.7%.

Based on the aforementioned test, the value in use of the Issuer's share in Linx as at 31 December 2016 was estimated at PLN 41.1 million (i.e. PLN 12.2 million less than as at the end of 2015). The estimated value in use of the Issuer's shares in Linx may change depending upon the situation in Russia and its possible impact on the internal economic situation and the activities of foreign companies in Russia. It may also change due to events related to Linx itself. In 2016, Linx earned EUR-denominated revenue at a level recorded in 2015, while EUR-denominated EBITDA declined by 20% over the previous year, which took place during the devaluation of the rubel in comparable periods (decrease in the average exchange rate by approx. 6%).

FINANCIAL ASSETS HELD FOR TRADING

	End of period 31/12/2016	End of period 31/12/2015
Loans granted to related entities	-	-
Loans granted to other entities	50	67
Total	**50**	**67**

The Company granted interest-bearing loans at rates comparable to average interest rates of commercial loans.

(all amounts are presented in PLN thousand, unless specified otherwise)

NOTE 14.
OTHER FIXED ASSETS

	End of period 31/12/2016	End of period 31/12/2015
Guarantee deposits	303	257
Trade receivables	-	-
Prepaid maintenance costs	-	-
Unearned financial income from instalment sales	-	-
Total other fixed assets	**303**	**257**
including payable within:		
from 1 to 2 years	-	-
from 3 to 5 years	-	-
over 5 years	303	257

Guarantee deposits include amounts retained by the customers in relation to the services and goods delivered. In most cases, such deposits are retained for periods ranging from 1 to 5 years. Guarantee deposits are not indexed. Trade receivables include the part of trade receivables which the Company will receive at a date later than 12 months from the balance sheet date.

NOTE 15.
INVENTORIES

	End of period 31/12/2016	End of period 31/12/2015
Materials	3,416	3,594
Production in progress	-	-
Finished products	-	-
Goods	2	24
Revaluation write-downs	(2,602)	(2,566)
Total inventories	**816**	**1,052**

Inventories are measured based on principles described in Note 2. The effects of establishing and reversing write-downs are charged to the cost of goods sold as the cost of materials that have been used up.

NOTE 16.
TRADE AND OTHER RECEIVABLES

	End of period 31/12/2016	End of period 31/12/2015
Trade receivables from related entities	22	49
Trade receivables from other entities	13,718	13,534
Tax receivables	906	-
Advances transferred	-	-
Other receivables	207	189
Receivables under litigation	944	865
Unearned financial income from instalment sales	-	-
Revaluation write-downs	(1,487)	(1,186)
Total	**14,310**	**13,452**

(all amounts are presented in PLN thousand, unless specified otherwise)

Trade terms applicable to related undertakings have been presented in Note 26. Trade receivables do not bear interest and they are usually payable within 14 to 35 days. The Company establishes revaluation write-downs in full value of receivables overdue by over 360 days and disputed receivables, including receivables under litigation.

The fair value of trade and other receivables does not differ significantly from their book values recorded in the balance sheet.

Analysis of the ageing structure of trade receivables

	End of period 31/12/2016	End of period 31/12/2015
current, of which:	**12,263**	**12,479**
from related entities	22	49
from related entities	12,241	12,430
overdue, of which:	**1,476**	**1,104**
from related entities	-	-
up to 180 days	-	-
180–360 days	-	-
over 360 days	-	-
from related entities	1,476	1,104
up to 180 days	977	537
180–360 days	100	149
over 360 days	399	418
Total trade receivables	**13,740**	**13,583**

Analysis of changes in write-downs on receivables

	End of period 31/12/2016	End of period 31/12/2015
Opening balance	1,186	663
Increases, of which:	332	695
- Recognition	332	695
Decreases, of which:	30	172
- Reversal	9	123
- Utilisation	22	50
Closing balance	**1,487**	**1,186**

(all amounts are presented in PLN thousand, unless specified otherwise)

Analysis of the ageing structure of receivables under litigation

	End of period 31/12/2016	End of period 31/12/2015
from related entities	-	-
under 360 days	674	718
over 360 days	241	118
over 720 days	29	29
Total	**944**	**865**

NOTE 17.
OTHER CURRENT ASSETS

	End of period 31/12/2016	End of period 31/12/2015
Financial lease interest	-	-
Prepaid maintenance costs	218	484
Unrealised FX differences on lease agreements	-	-
Prepaid subscriptions, rent, insurance, etc.	248	151
Services of subcontractors related to future revenue	997	395
Recognised sales revenue	-	-
VAT deductions under bad debt relief	-	1,604
Total	**1,463**	**2,634**

Other current assets include expenses related to deferred costs. In particular, these include prepaid service fees. These assets are charged to the operating expenses on the time basis, the revenue basis or on the basis of the amount of service, depending on their nature.

NOTE 18.
CASH AND CASH EQUIVALENTS

	End of period 31/12/2016	End of period 31/12/2015
Cash in hand	4	16
Cash at bank	1,637	1,222
Short-term deposits	133	578
Total	**1,774**	**1,817**

(all amounts are presented in PLN thousand, unless specified otherwise)

Cash at bank bears interest at floating interest rates which depend on the interest rate of overnight bank deposits. Short-term deposits have various maturities ranging from overnight to three months, depending on current demand for cash and bear interest according to the agreed interest rates.

The fair value of cash and cash equivalents equals their carrying amount.

NOTE 19.
EQUITY

	End of period 31/12/2016	End of period 31/12/2015
Registered share capital	34,526	34,526
Unsubscribed treasury shares under management option scheme	-	-
Hyperinflationary adjustment	197	197
Total	**34,723**	**34,723**

Share capital

Registered share capital includes:

Series	Number of shares	Face value	Registration date	Rights to dividend	Method of coverage	Type of shares
A	36,000,000	34,200,000.00	5.12.2007	*	Cash	Ordinary
B	343,344	326,176.80	9.09.2009	1.01.2009	Cash	Ordinary
Total	36,343,344	34,526,176.80				
Face value per share (PLN):				0.95		

) all series A shares have equal rights to dividends

Ownership structure

The ownership structure of ATM S.A.'s share capital as at 31 December 2016 was as follows:

Shareholder	Number of shares 31/12/2016	%	Number of shares 31/12/2015	%
MCI.PrivateVentures FIZ *	11,070,470	30.46%	no data	no data
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%	9,119,040	25.09%
Nationale-Nederlanden ***	7,160,120	19.70%	7,160,120	19.70%
AVIVA PTE	no data	no data	3,278,807	9.02%
ALTUS TFI	no data	no data	2,352,906	6.47%
Piotr Puteczny	no data	no data	2,243,066	6.17%
PKO BP Bankowy PTE ****	1,914,556	5.27%	1,914,556	5.27%
Other shareholders	7,079,158	19.48%	10,274,849	28.27%
	36,343,344	**100%**	**36,343,344**	**100%**

**) jointly with subsidiaries. The number of shares as at 5 May 2016 based on the notification*
***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*
****) the number of shares as at 31 December 2014 based on the "Annual asset structure"*
*****) the number of shares as at 7 May 2015 based on the notification*

(all amounts are presented in PLN thousand, unless specified otherwise)

Reserve capital

The Company establishes reserve capital pursuant to its articles of association. The Company's profit, which may be distributed in subsequent periods or allocated to exceptional losses or other expenses, may be allocated to the reserve capital.

Retained earnings

	End of period 31/12/2016	End of period 31/12/2015
Retained earnings from previous years, of which:		
Statutory supplementary capital	12,197	12,366
From profit distribution (over the statutory amount)	-	1,089
IFRS implementation profits (losses)	-	-
Management option scheme profits (losses)	-	-
Total comprehensive income for the current period	(7,129)	4,381
Total	**5,068**	**17,836**

Retained earnings from previous years include the entire profit retained by the Company pursuant to the shareholders' decision as well as the effects of IFRS implementation.

Pursuant to Article 396 § 1 of the Code of Commercial Companies, supplementary capital should be established to cover losses. At least 8% of profit for the financial year is allocated to the supplementary capital until it reaches at least one third of the share capital. This portion of the supplementary capital (retained earnings) cannot be distributed among Shareholders.

NOTE 20.
BANK LOANS AND BORROWINGS

	End of period 31/12/2016	End of period 31/12/2015
Bank loans	121,762	120,708
Borrowings	-	393
Total	**121,762**	**121,100**
of which:		
Long-term portion		
Bank loans	101,034	71,473
Loans from shareholders	-	-
Short-term portion		
Bank loans and borrowings	20,727	49,628
Loans from shareholders	-	-
Loans and borrowings due:	**121,762**	**121,100**
up to 1 year	20,727	49,628
from 1 to 2 years	11,000	26,502
from 3 to 5 years	90,034	44,970
over 5 years	-	-

(all amounts are presented in PLN thousand, unless specified otherwise)

Loans and borrowings by currency

	End of period 31/12/2016	End of period 31/12/2015
Loans in PLN	121,762	121,100
Loans in EUR	-	-
Total	**121,762**	**121,100**

Average interest rates on loans and borrowings

	End of period 31/12/2016	End of period 31/12/2015
Interest rate on bank loans taken out by an entity:		
Bank overdrafts	2.17%	2.59%
Bank loans in PLN	2.97%	2.95%
Bank loans in EUR	-	-

Detailed information on debt related to these loans is presented in tables below.

(all amounts are presented in PLN thousand, unless specified otherwise)

Specification of liabilities arising from bank loans as at 31 December 2016

Lender	Base loan value Loan amount in PLN thousand	Short-term portion Loan amount in PLN thousand	Long-term portion Loan amount in PLN thousand	Interest rate	Due date	Collateral
mBank SA (overdraft facility)	10,000	7,266	-	WIBOR 1M plus bank margin	23.09.2018	- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
mBank SA (refinancing loan)	54,725	3,755	50,517	WIBOR 1M plus bank margin	23.09.2021	- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
mBank SA (investment loan – available limit)	10,000	-	-	WIBOR 1M plus bank margin	23.09.2022	- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
Bank Zachodni WBK S.A. (overdraft facility)	10,000	5,952	-	WIBOR 1M plus bank margin	23.09.2018	- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
Bank Zachodni WBK S.A. (refinancing loan)	54,725	3,755	50,517	WIBOR 1M plus bank margin	23.09.2021	- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
Bank Zachodni WBK SA. (investment loan – available limit)	10,000	-	-	WIBOR 1M plus bank margin	23.09.2022	- contractual mortgage, - registered pledges on sets of assets, - assignment of contracts, - registered and financial pledges on the Company's bank accounts
	149,450	**20,727**	**101,034**			

NOTE 21.PROVISIONS FOR LIABILITIES

As at 31 December 2016 and 31 December 2015, the Company does not have any provisions for liabilities.

NOTE 22.
LONG-TERM TRADE AND OTHER LIABILITIES

	End of period 31/12/2016	End of period 31/12/2015
Trade liabilities to related entities	-	-
Trade liabilities to other entities	4,699	5,168
Deferred payment sales interest	-	-
Prepaid unperformed services and maintenance costs	-	-
Subsidies received for fixed asset financing	10,426	11,946
Other	1	1
	15,126	**17,116**
of which payable:		
from 1 to 2 years	1,979	1,979
from 3 to 5 years	11,843	11,843
over 5 years	1,304	3,294

The subsidies received for fixed asset financing concern the extension and upgrade of telecommunications infrastructure and the Collocation Center in Warsaw.

NOTE 23.
SHORT-TERM TRADE AND OTHER LIABILITIES

	End of period 31/12/2016	End of period 31/12/2015
Trade liabilities to related entities	3	49
Trade liabilities to other entities	12,766	12,328
Liabilities arising from taxes and social security	683	1,137
Advances received	-	-
Payroll liabilities	2	3
Other liabilities, accruals and deferred income, including:		
liabilities arising from investment purchases	2,846	-
settlements arising from bonuses	284	-
settlements arising from outstanding leaves	650	131
settlements related to non-invoiced expenses	4,791	923
subsidies	1,596	1,511
deferred income	587	544
other liabilities	2,196	855
- of which on account of IRS instrument valuation	462	717
Total	**26,404**	**17,479**

Trade liabilities do not bear interest and they are usually payable within 7 to 90 days.

(all amounts are presented in PLN thousand, unless specified otherwise)

In 2016, as in previous years, the Company did not rely on a small group of suppliers. There were no cases of transactions with a single counterparty exceeding the threshold of 10% of total purchases.

NOTE 24.
OTHER FINANCIAL LIABILITIES

Other financial liabilities include liabilities arising from finance lease agreements and agreements for financing receivables. Detailed information on these liabilities is presented below.

	End of period 31/12/2016	End of period 31/12/2015
Liabilities arising from dividend payouts	-	-
Liabilities arising from finance leases	4,580	9,756
Liabilities arising from financing of receivables	13	13
Total long-term liabilities	**4,593**	**9,769**
Short-term lease liabilities	5,327	6,242
Short-term liabilities arising from financing of receivables	-	-
Total short-term liabilities	**5,327**	**6,242**
Forward contract liabilities	-	-
Other	-	-
Total financial liabilities	**9,919**	**16,011**

	End of period 31/12/2016	End of period 31/12/2015
Value of liabilities arising from finance leases due:	**10,561**	**17,244**
- within one year	5,722	6,921
- within 2 to 5 years	4,840	10,323
- over 5 years	-	-
Future interest expenses (-)	**(655)**	**(1,246)**
Present value of future liabilities	**9,906**	**15,998**
of which:		
Amounts due within the next 12 months (included in short-term liabilities)	5,327	6,242
Amounts due after more than 12 months:	4,580	9,756
- within 2 to 5 years	4,580	9,756
- over 5 years	-	-
Number of lease agreements	44	50

Finance lease agreements concern machinery and equipment as well as vehicles. As at 31 December 2016, the Company was party to 44 agreements, under which it leased fixed assets with a total net value of PLN 13,687 thousand as at that date.

As at 31 December 2015, the Issuer was party to 50 agreements, under which it leased fixed assets with a total net value of PLN 20,763 thousand as at that date.

(all amounts are presented in PLN thousand, unless specified otherwise)

The agreements provide neither for contingent rents nor any subleases. Most agreements include a clause concerning the purchase option at a contractual price, lower than the fair value of the leased asset. The agreements do not involve any constraints for the lessee apart from the payment of liabilities arising from lease instalments and the general terms and conditions concerning the proper use of the leased assets.

NOTE 25.

OPERATING LEASE AND CONTINGENT RECEIVABLES AND LIABILITIES

Operating lease liabilities — ATM S.A. as a lessor

With regard to operating leases, the Company is not a party to any material agreements as a lessor. Lease agreements include mainly agreements concerning the lease of office space to other entities.

These are both definite and indefinite term agreements. Each agreement includes a clause enabling each party to terminate it subject to a contractual period of notice not exceeding three months. The Company does not include any clauses concerning contingent rents or the possibility of concluding sublease agreements in such agreements. The agreements concluded by the Company do not include any obligation to conclude a new agreement for a similar period and an equivalent asset where the original agreement is terminated. In some cases, the agreements provide for the lessee's obligation to submit a deposit, but these payments are treated as returnable deposits and are not subject to indexation.

Due to the nature of the agreements concluded, the Company — insofar as it is the lessor with regards to operating lease — is not a party to any irrevocable agreements.

Operating lease liabilities — ATM S.A. as a lessee

In the period covered by the financial statements, the Company as a lessee was party to operating lease agreements concerning property leases.

Due to the nature of the concluded agreement, the Company — insofar as it is the lessee with regard to the operating lease — is not a party to any irrevocable agreements apart from the lease agreement described below, which is revocable under specific terms and conditions.

Property leases include office buildings situated in Warsaw at Grochowska 21a. Pursuant to the agreement concluded on 21 December 2005 and the annex to the agreement of 7 March 2006, ATM S.A. sold the property, which included the right of perpetual usufruct of land and buildings constructed on this land, to Fortis Lease Polska Sp. z o.o., and subsequently concluded an operating lease agreement concerning this property. Lease payments are denominated in EUR and divided into 180 monthly instalments (15 years). The last instalment will be payable on 21 January 2021. Total amount of payments during the term of the agreement will be EUR 9,872 thousand.

Fair value of the leased asset after the expiry of the agreement has been determined at EUR 5,573 thousand, of which perpetual usufruct of land amounts to EUR 1,613 thousand and the value of buildings is EUR 3,961 thousand.

Pursuant to the agreement, after the expiry of the primary term of the lease agreement, the lessee or an entity indicated by the lessee may purchase the leased asset for the price equal to the aforementioned final fair value determined. Where this option is not taken advantage of, the lessee will pay to the lessor a handling fee amounting to 7% of the original value of the leased asset, which original value was determined to be EUR 10,660 thousand.

Pursuant to the agreement, the lessee does not have the right to terminate it, except in circumstances where a change concerning lease instalments or changes in the lessee's ownership structure cause the agreement to cease to be cost-effective. In such cases, the lessee will additionally have the right to demand that a purchase agreement be concluded concerning the lease asset, at a price equal to the sum of the portion of instalments outstanding until the end of the lease period and the final value.

Expenses related to the minimum lease payments for property leases during individual periods amounted to, respectively:

	End of period 31/12/2016	End of period 31/12/2015
Costs of property operating leases	1,994	1,990

(all amounts are presented in PLN thousand, unless specified otherwise)

Total	**1,994**	**1,990**

Minimum lease payments for property lease were as follows:

	End of period 31/12/2016	End of period 31/12/2015
up to 1 year	1,997	1,977
from 1 to 5 years	6,092	8,069
over 5 years	-	-
Total	**8,089**	**10,046**

CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables, guarantees and sureties received

There were no contingent receivables.

Contingent liabilities, guarantees and sureties granted

	End of period 31/12/2016	End of period 31/12/2015
To related entities:		
To other entities:		
1. Bank guarantees received:		
- performance bonds and tender bonds	295	2,925
2. Collateral pledge	79,420	13,176
3. Promissory notes and mortgages:		
- endorsements concerning agreements related to EU project financing	-	-
- bank loan collaterals	89,207	31,600
Total	**168,922**	**47,701**

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NOTE 26.
INFORMATION ABOUT RELATED ENTITIES

Details of related entities

1. **Entities related to the Company**

Apart from the entities in which ATM S.A. holds an equity stake, the entities related to the Company include those related through the Members of the Management Board of the Issuer. In 2016 and 2015, these entities included:

- ATM PP Sp. z o.o. — related through Mr Tadeusz Czichon, who was the Vice-President of the

(all amounts are presented in PLN thousand, unless specified otherwise)

Management Board of this entity,

- ATP-Investments Sp. z o.o. — related through Mr Tadeusz Czichon, who held 50% of shares in this company, and at the same time was its commercial proxy,
- ATP-Invest Sp. z o.o. S.K.A. — related through Mr Tadeusz Czichon, who held 50% of shares in this company,
- ATP-Invest Sp. z o.o. S.K.A. — related through Mr Tadeusz Czichon, who held 50% of shares in this company.

Sales to and purchases from related entities are executed at regular market prices. Outstanding liabilities and receivables at the end of the financial year are not secured and are settled in cash. Receivables from related entities are not covered by any extended or received guarantees.

During the periods covered by this financial information, the scope of mutual transactions with related entities included:

- trade transactions including the purchase and sale of goods, materials and services.

The Company did not carry out any transactions on terms and conditions different from the market ones with related entities or other related persons in the financial year.

The amount and scope of trade transactions has been presented in the table below:

Related entity	Year	Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
ATM PP Sp. z o.o.	2016	28	-	1	-
	2015	85	-	27	-
Linx Telecommunication B.V.	2016	118	-	21	-
	2015	138	21	22	-
ATP-Investments Sp. z o.o	2016	-	200	-	-
	2015	-	40	-	49
ATP Invest sp. zoo Management SKA	2016	-	-	-	-
	2015	-	400	-	-
Total	**2016**	**146**	**200**	**22**	**0**
	2015	**223**	**461**	**49**	**49**

During the periods covered by the financial statements, transactions with related entities involved no write-downs concerning receivables from those entities and no receivables were written off.

2. Members of the managing and supervisory bodies and their close relatives

Other Company related entities include members of the managing and supervisory bodies (including the management staff) and persons who are their close relatives (i.e. partner and children, the partner's children and persons dependent on the member or his or her partner) as well as other businesses in which members of the parent entity's Management Board perform management duties or are shareholders thereof.

Senior management remuneration

Management remuneration includes the remuneration of the Management Board, Supervisory Board and Directors of the Issuer. The remuneration paid to these persons, divided into main benefit types, is presented in the table below:

	End of period 31/12/2016	End of period 31/12/2015
Short-term employee benefits	4,641	4,041

(all amounts are presented in PLN thousand, unless specified otherwise)

Post-employment benefits	-	-
Benefits due to termination of the employment relationship	-	-
Total	**4,641**	**4,041**

The short-term employee benefits referred to above concern:

	End of period 31/12/2016	End of period 31/12/2015
Management Board	1,718	1,091
Supervisory Board	242	322
Directors and managers	2,681	2,628
Total	**4,641**	**4,041**

No loans, guarantees or sureties were granted to the managers, members of the Management Board or Supervisory Board in the periods covered by the present financial statements.

NOTE 27.
PRESENTATION OF DISCONTINUED OPERATIONS

The Company did not discontinue any operations in 2016 and does not plan to do so in 2017.

NOTE 28.
FINANCIAL INSTRUMENTS

1. Capital risk management

The Company manages its capital in order to ensure that it will be able to continue as a going concern, while at the same time maximising their profitability by optimising its debt-to-equity ratios.

The Company regularly reviews its capital structure. Such reviews involve the analysis of cost of equity and the risk related to its individual categories. The most important factors subject to analysis are:

- bank loans — disclosed in Note 20;
- trade and other liabilities — disclosed in Notes 22, 23 and 24;
- cash and cash equivalents — disclosed in Note 18;
- equity, including shares issued, reserve capital and retained earnings — disclosed in Notes 19 and 10.

The Company also monitors balance of equity using the leverage (gearing) ratio, which is calculated as the ratio of net debt to total equity plus net debt. Net debt includes interest-bearing loans and borrowings, trade liabilities and other liabilities less cash and cash equivalents. Equity includes equity attributable to shareholders of the parent entity less reserve capital concerning unrealised net gains.

The gearing ratio as at 31 December 2016 amounted to 43% and, respectively, as at 31 December 2015 — 42%

2. Objectives of financial risk management

Principal financial instruments used by the Company include bank loans (Note 20), finance lease agreements (Note 24) as well as cash and deposits (Note 18). The main purposes of these instruments include raising funds for the Company operations, liquidity risk management and short-term investment of surplus liquid funds. The Company also uses other financial instruments, including trade receivables and liabilities (Notes 14, 16, 22 and 23), which, however, are directly related to its operations.

The main risks arising from the Company's financial instruments include credit risk and liquidity risk as well as interest rate risk and foreign exchange risk. Exposure to these risks and their causes have been presented in the items below.

(all amounts are presented in PLN thousand, unless specified otherwise)

The Company has the liability arising from its conclusion of an interest rate swap contract (IRS) measured at fair value. The Company does not use hedge accounting and during the period covered by the financial statements it neither granted any loans nor was a party to financial guarantee contracts.

During 2016 and 2015:

- no financial instruments were reclassified between categories within the meaning of IAS 39;
- the Company did not dispose of its financial assets in a manner that would prevent their derecognition despite their transfer to a third party;
- The Company received no financial or non-financial assets within the framework of enforcement proceedings concerning the collateral for its financial assets.

3. Material accounting policies

A detailed description of material accounting policies and methods used, including the criteria for recognition, basis for valuation and policies concerning the recognition of revenue and costs with regard to individual financial assets, financial liabilities and capital instrument categories has been presented in Note 2 to the financial statements.

4. Categories and classes of financial instruments

Financial assets and liabilities divided into categories (as per IAS 39) are as follows:

	End of period 31/12/2016	End of period 31/12/2015
Financial assets		
Measured at fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	15,564	15,467
Financial assets available for sale	-	-
Financial liabilities		
Measured at fair value through profit or loss	462	717
Derivatives in hedging relationships	-	-
Financial liabilities	172,749	170,989
Financial guarantee contracts	-	-

Taking into account the nature and specific features of the financial instrument categories presented above, the following classes of instruments have been distinguished within individual groups:

With regard to the own receivables category

	End of period 31/12/2016	End of period 31/12/2015
Receivables from related entities	22	49
Short-term receivables from other entities	13,718	13,534
Long-term receivables from other entities	-	-
Financial assets held for trading — loans granted	50	67
Cash and cash equivalents	1,774	1,817
Total	**15,564**	**15,467**

With regard to financial liabilities

(all amounts are presented in PLN thousand, unless specified otherwise)

	End of period 31/12/2016	End of period 31/12/2015
Long-term liabilities	15,126	17,116
Liabilities arising from loans	121,762	121,100
Liabilities to related entities	3	49
Short-term liabilities to other entities	26,401	17,430
Liabilities arising from finance leases	9,906	15,998
Other financial liabilities	13	13
Total	**173,211**	**171,706**

5. Fair value of financial instruments

According to the estimates of the Management Board, the values of individual financial instrument classes listed above do not differ significantly from their fair values.

6. Credit risk

Credit risk is the risk of a counterparty defaulting on its obligations, thus exposing the Company to financial losses. The Company applies a policy of concluding transactions exclusively with counterparties whose creditworthiness has been verified; when required, appropriate guarantee is obtained in order to mitigate the risk of financial losses caused by a breach of contractual terms. The Company's exposure to risks related to the counterparties' credit ratings is subject to ongoing monitoring and the aggregated value of transactions concluded is split among approved counterparties. Credit risk control is enabled by limits, which are verified and approved annually by the Management Board.

The Company is not exposed to significant credit risk related to a single counterparty or a group of similar counterparties.

The Company mitigates its credit risk by concluding transactions only with creditworthy entities. Before cooperation is initiated, internal preliminary verification procedures are conducted. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to risks of receivables becoming uncollectible is insignificant.

As concerns the Company's financial assets including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other contractual party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

As at 31 December 2016, financial asset impairment write-downs came to PLN 1,487 thousand (as at 31 December 2015, they amounted to PLN 1,186 thousand). As at 31 December 2016 and 31 December 2015, there were no financial assets whose repayment terms had been renegotiated.

7. Foreign exchange risk

As far as the foreign exchange risk is concerned, the Company is exposed to it through sales or purchase transactions concluded in currencies other than the Company's functional currency.

The Company has not concluded any forward hedging transactions.

The carrying amount of the Company's assets and liabilities in foreign currencies as at the balance sheet date concerns trade receivables and liabilities and lease agreement liabilities. These amounts are as follows:

	Trade liabilities		Lease liabilities		Trade receivables	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015

(all amounts are presented in PLN thousand, unless specified otherwise)

Currency – EUR	174	229	-	-	938	587
Currency – USD	618	556	-	-	345	639
Currency – JPY	-	-	-	-	-	-
Currency – PLN	11,977	11,592	9,919	16,011	12,457	12,357
Total	**12,769**	**12,377**	**9,919**	**16,011**	**13,740**	**13,583**

If the exchange rate, in relation to the exchange rate from the balance sheet valuation for EUR and USD had increased by 10%, with all other variables remaining at a constant level, ATM S.A.'s gross result for the 12-month period ended on 31 December 2016 would have been higher by PLN 49 thousand (of which higher by PLN 76 thousand due to financial assets and liabilities denominated in EUR and lower by PLN 27 thousand — due to financial assets and liabilities denominated in USD).

The above estimation of the impact of foreign exchange risk on the financial result was calculated on the basis of the symmetrical method which assumes that increase and decrease in foreign exchange rates results in identical closing amounts. As a consequence, the decrease in exchange rates of the above-mentioned currencies by 10% would have caused a respective decrease of net financial result by the amount mentioned above.

8. Liquidity risk

The Company has developed an appropriate liquidity risk management system for the purposes of managing short-, medium- and long-term funds of the Company and in order to satisfy the liquidity management requirements. The Company manages its liquidity risk by maintaining an appropriate amount of capital reserves, by taking advantage of banking services offered and by using reserve credit facilities, by monitoring projected and actual cash flows on an ongoing basis and by analysing the maturity profiles of its financial assets and liabilities.

The Company mitigates its credit risk by concluding transactions only with creditworthy entities. Before cooperation is initiated, internal preliminary verification procedures are conducted. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to risks of receivables becoming uncollectible is insignificant. As concerns other financial assets of the Company, including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

The fair value of individual financial instruments did not significantly differ from their book values recorded in the financial statements as at subsequent balance sheet dates.

9. Interest rate risk

The Company is exposed to the risk of cash flow fluctuations related to assets and liabilities with variable interest rates and to the risk of fair value fluctuations arising from assets and liabilities with fixed interest rates. The Company mitigates the interest rate risk through:

- the appropriate structure of assets and liabilities with a variable and fixed interest rate,
- the application of derivative hedging instruments like swap.

NOTE 29.
FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at 31 December 2016, the Company held financial instruments carried at fair value in its statement of financial position. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 — quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 — other methods for which all inputs that have a significant effect on the recognised fair value are included, either directly or indirectly.

Level 3 — methods which use inputs that have a significant effect on the recognised fair value, but are not based on observable market data.

(all amounts are presented in PLN thousand, unless specified otherwise)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of input data is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable input data that require significant adjustments based on unobservable inputs, such measurement is a Level 3 measurement. Assessing the significance of particular input data for the fair value measurement in its entirety requires judgement considering factors specific to the asset or liability.

FINANCIAL INSTRUMENTS	31/12/2016		31/12/2015	
	carrying amount	fair value	carrying amount	fair value
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets held to maturity	-	-	-	-
Financial assets available for sale (at fair value)	-	-	-	-
Loans granted and own receivables	-	-	-	-
Financial liabilities at fair value through profit or loss	461	461	717	717
Other financial liabilities	-	-	-	-

FAIR VALUE HIERARCHY

Financial liabilities at fair value through profit or loss	fair value hierarchy level	31/12/2016
Derivative financial instruments — IRS contract hedging the interest rate risk in respect of the investment loan	level 2	461
Total		**461**

The valuation of the IRS contract hedging the interest rate risk in respect of the investment loan was made based on information obtained from mBank (prepared using parameters that were considered optimal by the Bank).

The valuation of the IRS contract hedging the interest rate risk in respect of the investment loan was made based on information obtained from Bank Zachodni WBK S.A. (prepared using parameters that were considered optimal by the Bank).

During the period ended 31 December 2016, no transfers took place between Level 1 and Level 2 of the fair value hierarchy and no instruments were transferred to/from Level 3 of the fair value hierarchy.

NOTE 30.
SIGNIFICANT EVENTS IN THE REPORTING PERIOD

- Due to the resignation from the membership in the Supervisory Board submitted on 4 March 2016 by the Chairperson of the Supervisory Board Mirosław Panek, on 14 March 2016, the Supervisory Board elected a new Chairperson — Kinga Stanisławska, and a new Deputy Chairperson — Jacek Osowski.
- On 31 March 2016, ATM S.A. took up shares in Linx Telecommunications Holding B.V. through a contribution of shares held by ATM S.A. in Linx Telecommunications B.V. (detailed information provided in current report No 13/2016 of 31 March 2016).
- On 25 April 2016, the Extraordinary General Meeting of the Company dismissed Sławomir Kamiński from the Supervisory Board and appointed Cezary Smorszczewski and Maciej Kowalski to the Supervisory Board of the Company.
- On 10 May 2016, the Issuer's Supervisory Board adopted the following resolutions on:
    - determining the number of the Members of the Management Board to three;
    - dismissing Dariusz Terlecki from the position of President and Member of the Company's Management Board as of 10 May 2016;

(all amounts are presented in PLN thousand, unless specified otherwise)

- dismissing Jacek Krupa from the position of Vice-President and Member of the Company's Management Board as of 10 May 2016;
- appointing Sylwester Biernacki to the position of President of the Company's Management Board as of 10 May 2016;
- appointing Robert Zaklika to the position of Vice-President of the Company's Management Board as of 1 June 2016;
- appointing Tomasz Galas to the position of Member of the Company's Management Board responsible for finance as of 16 May 2016 (on 29 June 2016, the Issuer's Supervisory Board adopted a resolution appointing Tomasz Galas, current Member of the Company's Management Board, to the position of Vice-President of the Company's Management Board as of 1 July 2016).

- On 30 May 2016, the Company's Management Board received Kinga Stanisławska's resignation from membership in the Supervisory Board. The resignation was submitted as of the day of the subsequent Extraordinary General Meeting of the Company where changes in the composition of the Supervisory Board are to be on the agenda.
- On 30 May 2016, the Extraordinary General Meeting of the Company dismissed Grzegorz Domagała from the Supervisory Board, set the number of Supervisory Board members at five and appointed Piotr Misztal to the Supervisory Board of the Company.
- On 2 June 2016, the Issuer's Supervisory Board elected Tadeusz Czichon as the new Chairperson of the Supervisory Board and Maciej Kowalski as the new Deputy Chairperson of the Supervisory Board. The former Deputy Chairperson of the Supervisory Board, Jacek Osowski, tendered in his resignation from this position on 2 June 2016.
- On 23 September 2016, agreements concerning refinancing the Company's debt were concluded (detailed information provided in current report No 39/2016 dated 23 September 2016).
- On 7 November 2016, the Company received a letter of resignation from the position of a member of the Company's Supervisory Board submitted by Piotr Misztal. On the same day, the Extraordinary General Meeting of the Company adopted resolution on appointing Łukasz Wierdak as a member of the Supervisory Board.
- On 7 November 2016, the Extraordinary General Meeting of the Company adopted the resolution on granting an approval for establishing registered pledges on an organised part of the enterprise.

NOTE 31.
EVENTS AFTER THE BALANCE SHEET DATE

- On 11 January 2017, the Extraordinary General Meeting of the Company dismissed Mr Cezary Smorszczewski from the Supervisory Board. On the same day, the Extraordinary General Meeting of the Company set the number of Supervisory Board members at five and appointed Mr Tomasz Czechowicz to the Company's Supervisory Board.
- On 6 February 2017, Mr Robert Zaklika tendered his resignation from the position of the Vice-President and Member of the Company's Management Board.
- On 24 March 2017, the Company's Management Board was notified that the General Meeting of Linx Telecommunications Holding B.V. adopted resolution on the dividend payout. The dividend value was set at EUR 0.40 per share which, for the total number of all shares amounting to 13,105,671, means that the total dividend amounts to EUR 5,242,269. The Company holds 2,754,612 shares in Linx (21.02% of the share capital), which means that the dividend attributable to the Issuer amounts to EUR 1,101,845. The date of dividend payout was set at 21 April 2017.

NOTE 32.
REMUNERATION OF STATUTORY AUDITORS

	End of period 31/12/2016	End of period 31/12/2015
Audit of the financial statements	22	26
Other attestation services	12	13

(all amounts are presented in PLN thousand, unless specified otherwise)

Other services	-	-
Total	**34**	**39**

NOTE 33.
COMPARATIVE DATA – OPERATING PROFIT AND EBITDA

The following table presents the effects of change in the manner of presenting revenue from subsidies in the Issuer's statement of income for 2015 (change made to ensure the comparability of data). Under the currently adopted presentation method (for the purpose of financial statements for 2016), the aforementioned revenue does not increase the operating profit and EBITDA, as was the case in previous periodical reports of the Issuer. Instead, they are reported under revenue and expenses from financing activities. Ultimately, the above modification does not affect the profit (loss) before tax and net profit (loss).

	For the period 01/01–31/12/2015 (according to the approved financial statements – before restatement)	For the period 01/01–31/12/2015 (restated)	Difference
Gross profit (loss) on sales	**41,105**	**41,105**	
Other operating revenue	1,156	1,156	
General and administrative expenses	28,593	30,143	1,550
Other operating expenses	1,395	1,395	
Operating profit (loss)	**12,272**	**10,722**	**-1,550**
Share in the profit or loss of equity-accounted entities	858	858	
Revenue from subsidies		1,550	1,550
Financial revenue	169	169	
Financial expenses	4,517	4,517	
Profit (loss) before tax	**8,782**	**8,782**	
Income tax	3,142	3,142	
Net profit (loss) on continuing operations	**5,640**	**5,640**	
Net profit (loss)	**5,640**	**5,640**	
EBITDA	**35,569**	**34,019**	**-1,550**

(all amounts are presented in PLN thousand, unless specified otherwise)

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sylwester Biernacki	President of the Management Board		28 April 2017
Tomasz Galas	Vice-President of the Management Board		28 April 2017

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS:

Kinga Bogucka	Chief Accountant	28 April 2017	....

THE MANAGEMENT BOARD'S REPORT ON THE ISSUER'S OPERATIONS IN 2016

INFORMATION SPECIFIED IN THE ACCOUNTING REGULATIONS

1. Events significantly affecting the entity's activity which occurred during the financial year and later — until the approval of the financial statements.

Operating and financial results

In the fourth quarter of 2016, the Issuer maintained the rate of growth in revenue from core operating segments at the level of several percent (approx. 3% y/y). As in previous quarters, nearly all sales revenue earned in this period was subscription-based (more than 98%). The performance of the Data Center Services Segment (increase by approx. 12% y/y), where the key role was played by the services of dedicated server lease, maintaining the dynamics of more than 30% y/y, contributed to such results. The Telecommunications Services Segment continues to records declines in sales (2-3% y/y), but the return on sales remains stable (approx. 44% on average throughout 2016, i.e. at the level of the last quarter of 2015). As a result of the above developments, combined with a slight increase in the profitability of sales of data centre services, the margin from core operating segments earned in the 4th quarter of 2016 was higher by 4.5% than in the corresponding period of 2015 (up by PLN 0.8 million y/y).

The following results were recorded for the whole 2016:

- total revenue at a similar level (vs 2015) and an increase in subscription-based revenue by 3% y/y (PLN +3.6 million),

- increase in total margin on sales by 4% y/y (PLN +2.9 million) with improved return on sales (53.8% vs 52% in the previous year),

- increase in fixed costs by 3% y/y (PLN +2 million, including a increase in amortisation/depreciation by PLN 0.7 million), resulting from, among other factors, costs related to restructuring and optimising the Company's operating activities (see Note 4 above),

- increase in other operating expenses by nearly PLN 4.3 million related to restructuring costs (referred to in Note 6 above),

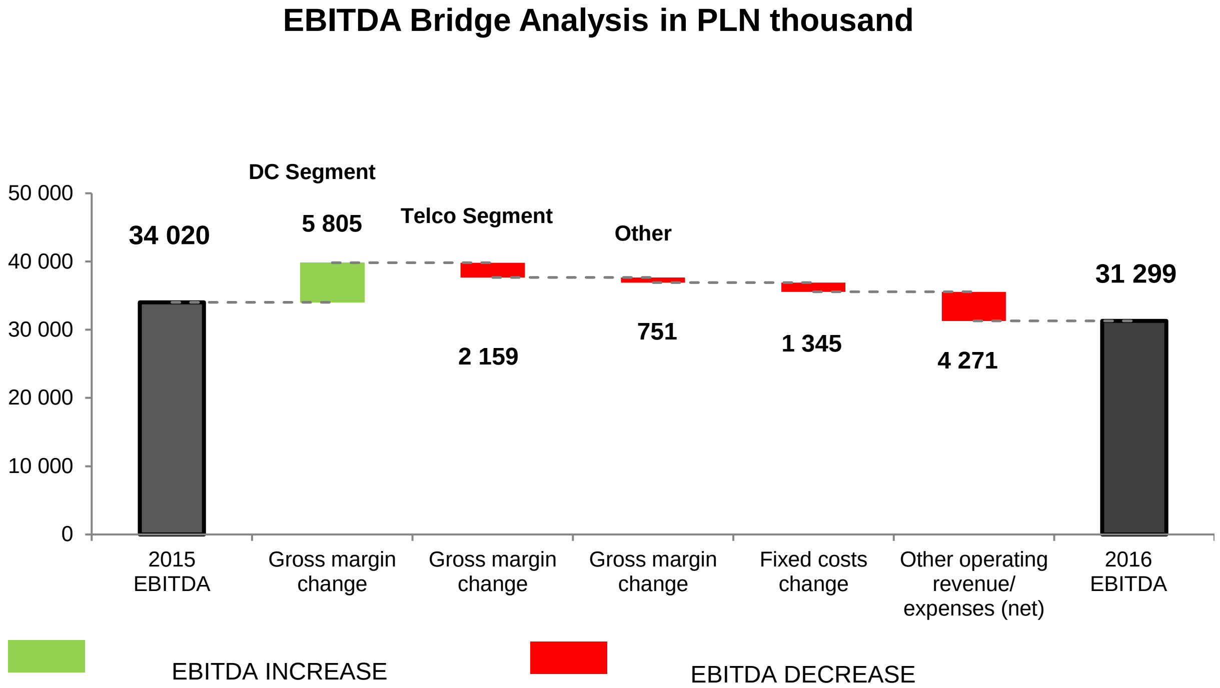
- decrease in EBITDA by PLN 2.7 million (-8% y/y),

- increase in financial expenses resulting from a revaluation write-down on shares in Linx held by the Issuer as at 31 December 2016 (PLN 16.9 million, detailed information provided in Note 13 above),

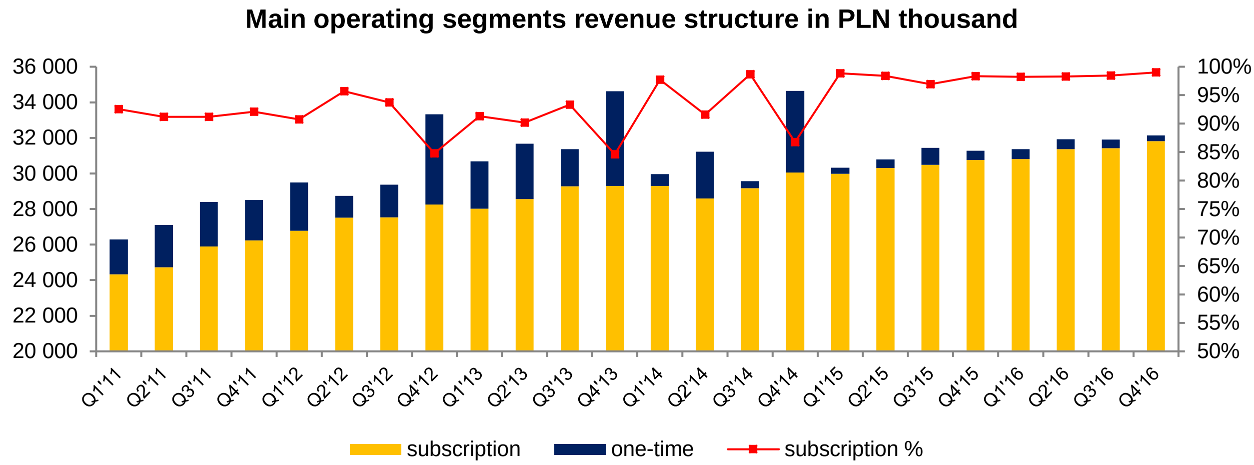
- net loss amounted to PLN 9.8 million (mainly due to the above write-down on ATM's shares in Linx).

In the past year, the Issuer incurred total investment expenditure in the amount of approx. PLN 25.5 million — the investment budget was exceeded by approx. PLN 3.5 million due to incurring expenditure on IT systems that was not planned in the budget (approx. PLN 4.5 million). The Company continued its investment policy in the telecommunications and data centre segments, and committed funds to the modernisation of internal IT systems. The Company also optimised the structure of debt and reduced its total balance (PLN -5 million vs balance as at the end of 2015).

The chart below presents key reasons for the change in EBITDA in 2016 as compared to 2015:



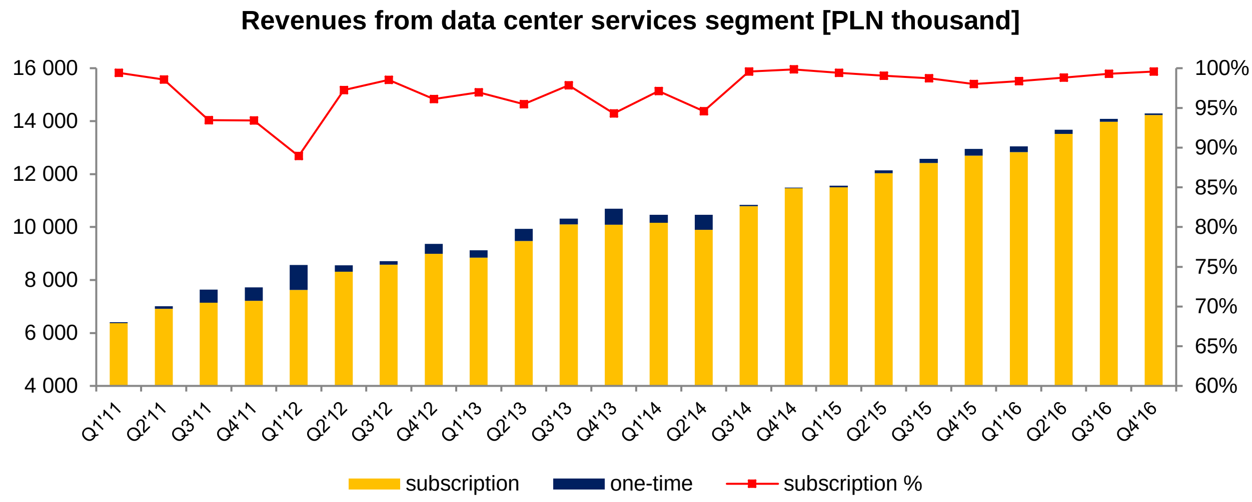
An additional diagram illustrating the rate of increase in revenue (including subscription-based revenue) is presented below:



Data Center Services Segment

Starting from the report for the first half of 2015, the Issuer, implementing one of the goals specified in the strategy announced in 2015, has decided to present the data relating to operating segments in such a way that the revenue and costs of the Data Center Services Segment do not include the revenue and costs of telecommunications services associated with data center services, which are now shown in full under the Telecommunications Services Segment. The Issuer also shows, as a separate item, the value of revenue from the Telecommunications Services Segment, which is correlated with data center services (e.g. sale of Internet access service as an add-on to a collocation service). To enable comparability and further analysis of the results, the results for the Data Center Services Segment are shown below with past figures recalculated in accordance with the methodology described above:

figures in PLN thousand	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Revenue from the Data Center Services Segment	10,459	10,458	10,834	11,487	11,567	12,147	12,574	12,951	13,044	13,681	14,083	14,290
Revenue from the Telecommunications Services Segment associated with data center services	4,845	4,953	5,253	5,268	5,181	5,207	5,545	5,187	4,962	5,237	5,501	5,535
Total	**15,304**	**15,410**	**16,088**	**16,755**	**16,748**	**17,355**	**18,119**	**18,138**	**18,006**	**18,918**	**19,584**	**19,825**



In the 4th quarter of 2016, revenue from sales of data center services amounted to PLN 14.3 million (+1.5% q/q), while in the entire 2016 it amounted to PLN 55.1 million (+12% y/y, PLN +5.9 million). In 2016, similarly to the previous year, the increase in revenue in the segment in question resulted primarily from:

- expansion and establishment of cooperation with customers concerning large and medium collocation space (this refers mainly to contracts signed at the end of 2015 and the beginning of 2016),
- systematically growing revenue from the lease of dedicated Atman EcoSerwer servers and other products based on the data center infrastructure offered in online (automatic) sales — increase by 40% y/y (PLN +3.4 million y/y), Key role was played here by medium and large customers who leased servers in bulk quantities (including foreign customers).

Profitability of the Data Centre Services Segment (at the sales margin level) improved by 3.5 p.p. (to 71%), which is consistent with a long-term trend and is primarily a result of the economies of scale described in previous periodical reports. In addition, lower prices of energy consumed by the Issuer – which constitutes a key variable cost in the segment in question – also contributed to the improved profitability.

During the entire 2016, the sales margin of the DC segment increased by more than 17% y/y, while the segment's EBITDA went up by 6%. In consequence, this segment's share in the total EBITDA of the Company amounted to 70%.

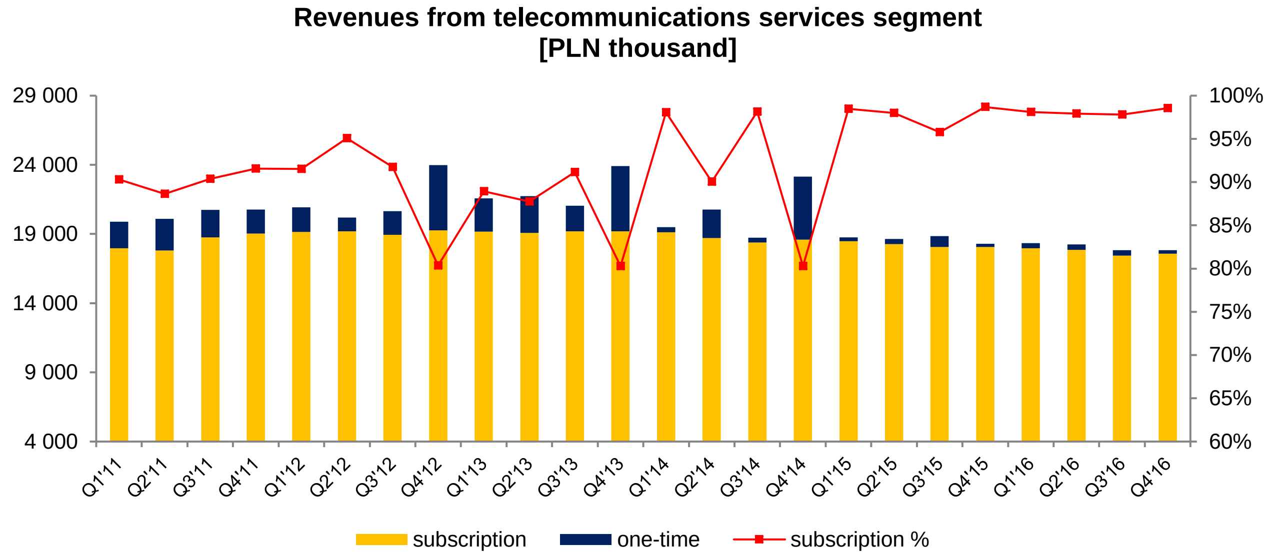
At the end of 2016, commercialised (invoiced and sold) net collocation space amounted to more than 4,550 m^2 (increase by nearly 700 m^2 and 18% y/y). Thereby, the ratio of utilisation of the entire currently available space (i.e. space that requires only investments related to equipment and arrangement in line with specific needs of the customers) amounted to approx. 58% at the end of 2016.

The sectoral structure of data center service customers did not change significantly in 2016 and is still based on customers from the financial and telecommunications sectors (jointly approx. 60% of the segment's revenue). The number of customers handled by the DC segment increased by 16% in 2016.

Telecommunications Services Segment

Presented below are the results of the Telecommunications Services Segment, with past figures recalculated according to the methodology described in the section on the Data Center Services Segment (see the previous section):

figures in PLN thousand	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Total Revenue from the Telecommunications Services Segment	**19,505**	**20,772**	**18,734**	**23,148**	**18,762**	**18,650**	**18,860**	**18,302**	**18,330**	**18,237**	**17,826**	**17,844**
of which: subscription revenue	19,131	18,704	18,388	18,584	18,476	18,274	18,064	18,061	17,981	17,855	17,433	17,584



For a number of quarters, sales revenue in the Telecommunications Services Segment has been following a slight downward trend (see the diagram above). Developments that are well known and have been repeatedly described by the Issuer (decrease in unit prices, insufficient increase in volume, pressure on margin) continue to strongly affect the performance of this area of the Company's operations. In the entire 2016, the Issuer recorded here a 3% decline in revenue and 6% decline in sales margin. Profitability declined from 46% in 2015 to 44% (on a year-on-year basis). The fact that since the last quarter of 2015, the Company has managed to contain further erosion of profitability – which results primarily from consistent efforts aimed at ensuring efficiency of purchases – is also of significance here.

The Issuer is trying to counteract negative market trends by expanding its customer base — an increase by 7% y/y was recorded in this area in the 4th quarter of 2016. It is also worth noting that as part of the TELKO segment, the Issuer provides services in 2 main categories that record significantly different sales results:

- data transmission services — for a number of quarters, the Company has been recording declines in revenue from these services by 1–1.5% quarterly;

- Internet access services which follow a stable upward trend (increase in revenue by 1% q/q on average).

During the entire 2016, EBITDA of the TELKO segment declined by 28%. As a result, this segment's share in total EBITDA of the Company amounts to 30%.

In the sectoral structure of customers, the share of telecommunications operators continued to decrease (48% in 2016).

2. Expected development of the entity

The results achieved by the Issuer in 2016 are nearly entirely based on the recurring stream of revenue, which means that they should be improved regularly in subsequent periods. The dynamics of this growth will substantially depend on 2 factors:

- the EBITDA growth rate in the Data Center Services Segment which, in turn, will be closely correlated with the rate of commercialisation of the collocation space and sales of products based on the data center infrastructure (e.g. dedicated servers, cloud, backup offices). The strategic objective of the Issuer is to strengthen its position of a leader in the data center market in Poland and to build a position of an important player in this segment in the European market. Owing to consistent implementation of its investment plan, the Issuer has at its disposal the data center area of the highest quality which may be offered for collocation services, using global trends and a growing demand for this type of services.

- situation in the Telecommunications Services Segment where the main challenge is to halt the decline in subscription revenue and profitability and maximise the utilisation of potential of the network infrastructure developed over the recent years. Investments in city and intercity optical networks completed in previous years — combined with a systematic increase in the number of served business locations — should contribute to the stabilisation of revenue from broadband data transmission and traffic exchange on the Internet, while at the same time acting as a catalyst for growth of collocation revenue (proper high quality lines increase the attractiveness of data center offers).

3. Major research and development achievements

In 2016, ATM S.A. did not conduct any significant, distinct research and development works. The development works including the projects developed in-house have been described in Note 11 to the financial statements.

Nevertheless, the Company is constantly conducting R&D works with the aim to develop and implement modern solutions and technologies relating to the construction of and provision of equipment to data centers, as well as the provision of collocation and high-level services based on the data center infrastructure. The effects of research and implementation works include, in particular, an optimal consumption of energy necessary to power the data centers and an advanced monitoring of ICT resources made available to customers.

4. Current and forecast financial position

The Company's financial position is stable and there are no known factors that could affect adversely its situation in the future.

5. Purchase of treasury shares

The Issuer did not purchase treasury shares in the reporting period.

6. Branches held by the entity

The Company has no branches conducting independent business activity.

7. Information on used financial instruments

Property leases include office buildings situated in Warsaw at Grochowska 21a. Pursuant to the agreement concluded on 21 December 2005 and the annex to the agreement of 7 March 2006, ATM S.A. sold the property, which included the right of perpetual usufruct of land and buildings constructed on this land, to Fortis Lease Polska Sp. z o.o., and subsequently concluded an operating lease agreement concerning this property. Lease payments are denominated in EUR and divided into 180 monthly instalments (15 years). The last instalment will be payable on 21 January 2021. The total amount of payments during the term of the agreement will be EUR 9,872 thousand (details have been described in Note 25 to the financial statements).

Besides, the Company uses finance lease in order to purchase equipment for the expansion of its telecommunication infrastructure. The lease periods range from 3 to 5 years. The value of the leased asset is denominated in PLN (details are described in Note 24 to the financial statements).

ATM S.A. uses loans, which are described in details in Note 20 to the financial statements. The Company concluded the interest rate swap transaction (IRS) described in Note 8 to the financial statements.

The information on financial instruments as regards the risks to which the Company is exposed, as well management of these risks are presented in Note 28.

REVIEW OF KEY ECONOMIC AND FINANCIAL PARAMETERS

The comparison of the results for 2016 to the previous year has been presented in the table below, while their analysis can be found in the part concerning the operating and financial results included in the previous chapter of this Report:

[selected financial data in PLN thousand]	2016	2015	change %
Sales revenue	132,050	131,483	0%
- including from core operating segments	127,335	123,815	3%
Sales margin	71,062	68,174	4%
Operating profit	7,350	10,722	-31%
EBITDA	31,299	34,020	-8%
Gross profit (loss)	-10,917	8,782	-
Net profit (loss)	-9,791	5,640	-

DESCRIPTION OF MATERIAL RISK FACTORS AND THREATS

Risk associated with the economic situation in Poland and globally

The Issuer's operation is not sensitive to changes in economic conditions.

Due to the current geopolitical environment, an additional risk factor for the following quarters in the context of the Issuer's total income (through the impact of the results and goodwill of the associated company — Linx Telecommunications Holding B.V. on it) will be the economic situation in Russia and its potential impact on functioning of Linx Telecommunications Holding B.V. on this market. Further devaluation of the rouble against the euro may have a particularly significant impact.

Risk associated with the implementation of R&D works and investments

The Issuer conducts R&D works insofar as they translate directly into greater competitiveness of its products and services it offers. The risk associated with incurring capital expenditure on such works practically does not exist.

Risk associated with human resources

The Issuer's operations are successfully carried out by highly qualified staff. Another factor influencing the Company's success and competitiveness is its management team. The loss of employees — experts and members of management staff alike — caused by a situation independent from the Issuer, may bring the risk of decreasing the quality of services and solutions offered and, for instance, delays in projects implemented for the customers. Possible illegal activities of employees (e.g. causing harm to third parties, disloyal behaviour exhibited in, among others, undertaking competitive activity or disclosure of business and professional secrets) could also have negative repercussions.

The Company's experiences so far show that the Issuer's situation concerning staff is stable, the employees and managers are involved in the development of the company.

Risk associated with forecasts and planning

Risk related to forecasts and planning entails the threat of forecasts underlying the investment decisions on the data center market failing to materialise as a result of changes in the economic or technological environment (e.g. the emergence of new technologies). Forecasts concerning the planned investments might be wrong, despite using legitimate assumptions in the forecasting process.

Risk associated with strong competition

In the ICT sector, the risk associated with the emergence of new competitors is high, mainly due to the attractiveness of the data center market in Poland and Europe (dynamic growth). The possible emergence of new major competitors (in particular international entities) may have a negative impact on the Company's financial results in the future. Possible consolidation processes in the domestic market may also result in the decline of growth of the Company's financial parameters — this applies equally to the possible consolidation of the supply and demand side of the market.

OTHER INFORMATION

1. Information concerning core products

Within the period covered by this Report, the Issuer provided services in 2 core operating segments: the Data Center Services Segment and the Telecommunications Services Center. All services are offered in the B2B (business-to-business) model.

- In the **Data Center Services Segment**, the Issuer provides services based on the constructed data center infrastructure:
  - **Collocation.** The Company owns properly equipped and protected rooms (data centers) where it provides collocation, i.e. rents out adequately fitted space for telecommunications hardware, e.g. servers, together with uninterrupted power supply and telecommunications networks connection (data transmission and Internet access).
  - **Services based on the data center infrastructure (higher layer) — including dedicated servers, cloud computing, backup offices.** ATM S.A. offers the service of lease of dedicated servers (Atman EcoSerwer), which may be used for launching websites, business application and other Internet or intranet services (normally a service is launched within one hour of the receipt of an order). The offer includes also the cloud computing service — Atman Cloud, and backup office services.
- In the **Telecommunication Services Segment**, the Issuer provides the following services:
  - **Data transmission.** These are data transmission services provided in the entire territory of Poland, with very high transmission quality parameters. In Warsaw and seven other agglomerations, broadband data transmission services are provided with no bandwidth limitations via the Company's own metropolitan fibre-optic networks. The company maintains points of interconnection with networks belonging to major intercity and international data carriers.
  - **Internet access services.** This type of service consists in the configuration and supervision of broadband Internet lines for telecommunications providers, Internet and Application Service Providers (ISP/ASP), websites, media and corporate customers. The services offered ensure very high data transmission rates and reliability. Within the framework of Internet access services, traffic interchange between the providers and recipients of information and digital Web content takes place. The Company operates interconnect nodes in Warsaw, Amsterdam, Frankfurt, Kiev, London, Moscow, Sofia, Prague and Vienna as well as its own, distributed system of wholesale traffic exchange (Thinx IX).
  - **Other, including telephone services (ISDN and VoIP).** The Issuer offers, among others, ISDN technology-based telephony, which is a comprehensive telecommunications solution based on dedicated digital connections compiled using fibre-optic or radio technology. Additionally, the company offers a solution that ensures a seamless transition from traditional phone services towards an entirely VoIP-based network.

Sales revenue (PLN thousand)	2016	2015
Data Center Services Segment	**55,098**	**49,240**
of which: Collocation	42,849	40,417
of which: Higher layer services	12,249	8,823
Telecommunications Services Segment	**72,238**	**74,575**
of which: Data transmission and voice services	48,136	51,655
of which: Internet access	24,102	22,920

Total revenue from core operating segments	127,335	123,815

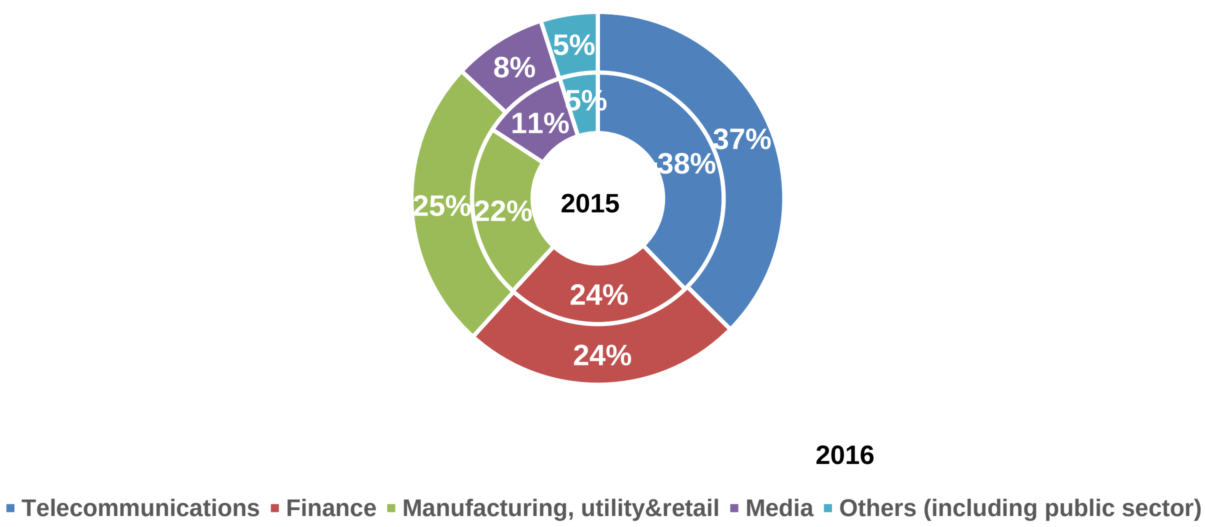
2. Information on sales markets and sources of supply

The main market for the products and services offered by ATM S.A. is Poland, and the company's customers come from all regions of the country. The Company's services become more and more popular among foreign customers (in particular the data center services sold in the internet channel). ATM records a steady increase in the number of foreign requests for proposals, resulting, among others, from ATM's advantage over foreign competitors in terms of the service price/quality relation.

The most important customers of the Issuer originate from the following sectors:

- telecommunications (including operators),
- banking and finance (including insurance companies),
- industry, commerce and services (including power distribution undertakings),
- media and publishing (both traditional and electronic).

The Issuer's revenue structure in 2015-2016, broken-down by sectors*:



**) includes revenue from core operating segments*

As in previous years, the Company has a highly diversified portfolio of customers, which materially protects the interests of the Issuer. In 2016, none of the customers has exceed 10% share in total sales revenue from core operating segments.

The supply structure includes a group of products and services connected with the provision of telecommunications services, in which purchases are made from domestic and international telecommunications operators.

In 2016, as in previous years, the Company did not rely on a small group of suppliers. There were no cases of transactions with a single counterparty exceeding the threshold of 10% of total purchases.

3. Information concerning contracts important for the Issuer's activity

- On 23 September 2016, agreements concerning refinancing the Company's debt were concluded (detailed information provided in current report No 39/2016 dated 23 September 2016).
- On 29 November 2016, the Issuer was notified of the conclusion of an agreement by Shareholders — MCI.PrivateVentures FIZ and ATP FIZ AN (detailed information provided in current report No 46/2016 dated 29 November 2016).

4. Information concerning organisational or capital relations with other entities and specification of main investments

On the day of publication of the annual report, the Issuer held shares representing 21.02% of the share capital of Linx Telecommunications Holding B.V. (investment made in 2007). The results of this entity, as an associate, are not consolidated at the operating level — the consolidation is carried out using the equity method.

5. Information concerning the conclusion by the Issuer or its subsidiary of one or more transactions with related undertakings if concluded under non-market conditions

During the reporting period, the Issuer did not conclude any transactions with related entities under non-market conditions.

6. Information concerning bank loan and other loan contracts concluded and terminated in the financial year, stating at least their amount, type, interest rate, currency and due date

Detailed information on the Issuer's bank loans and other loans contracted in the financial year has been provided in Note 20 to the financial statements and in information presented in item 3 above.

7. Information concerning loans granted in the financial year, and in particular loans granted to the Issuer's related entities, stating at least their amount, type, interest rate, currency and due date

In the period covered by this report, the Issuer did not grant any loans to related entities.

8. Information concerning guarantees and sureties granted and received in the financial year

Off-balance sheet items	End of period 31/12/2016	End of period 31/12/2015
1. Contingent receivables		
1.1 from other undertakings	-	-
2. Contingent liabilities	**168,922**	**47,701**
2.1 to other undertakings, of which:	168,922	47,701
- guarantees and sureties received	295	2,925
- mortgage collateral	89,207	31,600
- collateral pledge	79,420	13,176

The Issuer did not grant or receive directly any guarantees. However, at the request of the Issuer, banks issue bonds (guarantees) for the Issuer's customers. They are tender bonds and performance bonds.

As at 31 December 2016, tender bonds and performance bonds included guarantees granted by mBank S.A. — amounting to PLN 32 thousand and by Bank BZ WBK S.A. — amounting to PLN 264 thousand.

9. Description of the use of issue proceeds by the Issuer

In the reporting period, the Issuer did not issue securities.

10. Explanation of differences between financial results presented in the annual report and forecasts published

The Issuer did not publish any forecast of 2016 financial results.

11. Assessment of financial resource management

The Management Board of the Company considers the financial position of ATM S.A. as good. Liquidity indicators, asset turnover and debt ratios do not indicate any potential threats to the Company's ability to fulfil its obligations.

12. Assessment of ability to fulfil investment plans

In recent years, one of the Issuer's most important investment plans was the deployment of infrastructure necessary for the provision of services based on data centers. In this area, the Issuer's main achievement was the expansion of the ATMAN Data Center at Grochowska in Warsaw which, at the same time, was the most extensive project in the history of the Issuer's operations (ATM's Innovation Center Project). This project was completed in 2015. Additionally, the Company expanded the Thinx Poland Data Center (at present: Atman Warszawa-2 Data Center) at Konstruktorska in Warsaw, by systematically equipping and commissioning new server room modules.

After the investment projects completed in 2015, the Company currently has over 8 thousand m^2 of net collocation space, 58% of which is utilised by customers. In addition, the Company can relatively quickly increase the supply of space with additional 1.5 thousand m^2 net, by expanding the DC localised at Konstruktorska in Warsaw.

Over the next few years, the Company plans to decrease capital expenditures related to the Data Center Services Segment — they will be earmarked primarily for finishing server rooms in line with specific needs of the customers, as well as for purchasing equipment necessary for further development of the EcoServer and Cloud services. The schedule these expenditures will be contingent upon the demand for data center services and the pace of acquiring customers.

Within the scope of telecommunications activities, the Company primarily plans to modernise the networks in order to maintain/improve its quality parameters and — to a lesser extent — extend the existing fibre-optic connections.

All Issuer's investments will be financed from the Issuer's own funds supported with a loan/leases. At the same time, the Issuer's Management Board does not expect any threats to the completion of investment projects, while the possibility to divide the investments into stages and to adjust them to the current market demand provides security and comfort in conducting current activity.

The Issuer does not expected any material investments other than those discussed above in the near future.

13. Assessment of factors and unusual circumstances which materially affected financial results for 2016

Unusual circumstances affecting the Issuer's results for 2016 included:

- costs in the amount of PLN 8,899 thousand related to the restructuring of the Issuer, carried out by the Management Board (described in Notes 4, 6 and 8);

- an impairment write-down on shares in an associate, Linx Telecommunications Holding B.V. in the amount of PLN 16,921 thousand, recognised based on an impairment test described in Note 13.

14. Description of external and internal factors important for the development of the Issuer's Company and development prospects until the end of 2017

One of the most important external factors which condition the development of the Issuer's Company is a constant growth of demand for transfer, processing and archiving of information which creates conditions for constant increase in demand for the services provided by the Issuer in the area of data transmission for companies and institutions, as well as data center (collocation) services.

The main factors that — in the opinion of the Issuer — should stimulate the demand for its services in the next few years include:

- digitisation of companies — increasing demand for data computing power and storage space (also in relation to the so-called Big Data),
- advances in telecommunications — the new generation network (LTE), the dynamically growing number of mobile devices used to send increasing amounts of data (content delivery),
- increasing popularity of services generating large volumes of data: video transmission, social media,

online games, e-commerce, the Internet of Things,

- tangible benefits of locating own equipment in close proximity of the equipment and connection lines of business partners and customers — such possibilities are offered only by data centers, concentrating wide range of stakeholders from different sectors,
- dynamic development of the market for financial services, in which e-commerce and the need to handle large volumes of transactions per unit of time are becoming more and more important,
- progressive digitalisation of the public sector (e.g. health care),
- IT outsourcing — increased inclination to place own data processing equipment at the premises of specialised providers of data center services, rather than building own server facilities (cost — economies of scale, quality and reliability of services — know-how),
- cloud computing — transfer of a part of data processing to companies offering cloud computing which also operate based on the infrastructure offered by specialised data center providers.

In view of the above, the Issuer implements the adopted strategy by preparing further modules of the Atman Data Center for sale, including through the ATM Innovation Center Project finalised in 2015. The high pace of sales of the collocation space offered will strengthen ATM's leading position on the domestic data center market and will bring a tangible result in the increase of revenue and profits in the next financial periods.

15. Changes in the basic principles of managing the Issuer's Company

In 2016 there were no significant changes in the principles of managing the Issuer's Company, except for the changes in the composition of the Management Board and the Supervisory Board described in the item below.

16. Changes in the composition of managing and supervisory bodies of the Issuer in 2016

On 10 May 2016, the Issuer's Supervisory Board adopted the following resolutions on:

- determining the number of the Members of the Management Board to three;
- dismissing Dariusz Terlecki from the position of President and Member of the Company's Management Board as of 10 May 2016;
- dismissing Jacek Krupa from the position of Vice-President and Member of the Company's Management Board as of 10 May 2016;
- appointing Sylwester Biernacki to the position of President of the Company's Management Board as of 10 May 2016;
- appointing Robert Zaklika to the position of Vice-President of the Company's Management Board as of 1 June 2016;
- appointing Tomasz Galas to the position of Member of the Company's Management Board responsible for finance as of 16 May 2016 (on 29 June 2016, the Issuer's Supervisory Board adopted a resolution appointing Tomasz Galas, current Member of the Company's Management Board, to the position of Vice-President of the Company's Management Board as of 1 July 2016).

Due to the resignation from the membership in the Supervisory Board submitted on 4 March 2016 by the Chairperson of the Supervisory Board Mirosław Panek, on 14 March 2016, the Supervisory Board elected a new Chairperson — Kinga Stanisławska, and a new Deputy Chairperson — Jacek Osowski.

On 25 April 2016, the Extraordinary General Meeting of the Company dismissed Sławomir Kamiński from the Supervisory Board and appointed Cezary Smorszczewski and Maciej Kowalski to the Supervisory Board of the Company.

On 30 May 2016, the Company's Management Board received Kinga Stanisławska's resignation from membership in the Supervisory Board. The resignation was submitted as of the day of the subsequent Extraordinary General Meeting of the Company where changes in the composition of the Supervisory Board are to be on the agenda.

On 30 May 2016, the Extraordinary General Meeting of the Company dismissed Grzegorz Domagała from the Supervisory Board, set the number of Supervisory Board members at five and appointed Piotr Misztal to the Supervisory Board of the Company.

On 2 June 2016, the Issuer's Supervisory Board elected Tadeusz Czichon as the new Chairperson of the Supervisory Board and Maciej Kowalski as the new Deputy Chairperson of the Supervisory Board. The former Deputy Chairperson of the Supervisory Board, Jacek Osowski, tendered in his resignation from this position on 2 June 2016.

On 7 November 2016, the Company received a letter of resignation from the position of a member of the Company's Supervisory Board submitted by Piotr Misztal. On the same day, the Extraordinary General Meeting of the Company adopted resolution on appointing Łukasz Wierdak as a member of the Supervisory Board.

17. Agreements concluded by and between the Issuer and management staff which stipulate a compensation in the event of their resignation or dismissal from the position

The amount of severance pay due to Members of the Management Board and managing staff relates to the compensation for the non-competition clause after the end of the employment period and provides for severance pays amounting to 1–6 months' remuneration payable to a given employee.

18. The amount of remuneration, rewards and benefits, including those under incentive or bonus schemes based on the Issuer's capital, including schemes based on bonds with priority warrant, convertible bonds, subscription warrants (in money, in kind, or another form), paid, due or potentially due, separately to each member of the Issuer's managing and supervisory bodies in the Issuer's Company

In 2016, total remuneration paid to each member of the Issuer's managing and supervisory bodies was as follows:

Management Board of ATM S.A.

Biernacki Sylwester (from 10 May 2016)	PLN 341,712
Czichon Tadeusz (until 31 May 2016)	PLN 200,000
Galas Tomasz (from 16 May 2016)	PLN 278,098
Krupa Jacek (until 31 August 2016)	PLN 248,571
Terlecki Dariusz (until 10 May 2016)	PLN 342,000
Zaklika Robert (from 1 June 2016)	PLN 308,000

Supervisory Board of ATM S.A.

Czichon Tadeusz	PLN 53,401
Domagała Grzegorz (until 30 May 2016)	PLN 16,301
Kamiński Sławomir (until 25 April 2016)	PLN 15,801
Kowalski Maciej (from 25 April 2016)	PLN 25,400
Misztal Piotr (from 30 May 2016 until 6 November 2016)	PLN 17,700
Osowski Jacek	PLN 41,201
Panek Mirosław (until 4 March 2016)	PLN 17,551
Smorszczewski Cezary (from 25 April 2016)	PLN 25,400
Stanisławska Kinga (until 29 May 2016)	PLN 22,297
Wierdak Łukasz (from 7 November 2016)	PLN 7,200

19. Information about any liabilities resulting from pensions and similar benefits for former managers, supervisors or former members of administration bodies, and about liabilities incurred in relation to such pensions, with an indication of the total amount for each category of a body

As at 31 December 2016, there were no liabilities resulting from pensions and similar benefits for former managers, supervisors or former members of administration bodies.

20. The Issuer's remuneration policy

Remuneration policy of the Management Board and the Supervisory Board is subject to independent decisions of the Supervisory Board and the General Meeting, respectively. The Management Board of the Company has no influence on any regulations in this matter. The remuneration policy concerning key managers results from a long-standing practice of the Company (it has not been formally laid down in the form of internal regulations or procedures). This policy was not significantly modified in the past year. The effects of applying the said policy, from the Management Board's point of view, are satisfactory — the Company operates in a stable manner.

Information on conditions and amounts of remuneration of the Management Board members and managing staff

Remuneration of the Management Board Members and managing staff comprises fixed and variable components of remuneration. In accordance with provisions of the contracts, the variable part is settled in a transparent manner that ensures effective implementation of goals. The fixed to variable remuneration ratio has been determined in a manner that ensures pursuing a flexible remuneration policy, taking into account stable and prudent management of the Company.

The variable remuneration is determined based on the performance of managers, for a period of at least 1 year, financial result of a given organisational unit and the Company's financial results. The performance is assessed based on both financial and non-financial cirteria. Financial criteria include in particular:

- reaching by the entity of a specified level of the EBITDA and/or sales and/or operating costs assumed in the financial plan for a given financial year approved by the Supervisory Board.

In turn, non-financial criteria include in particular:

- periodical employee performance appraisal;

- participation in projects of significant importance for the Company.

	Summary information for 2016 concerning remuneration of Management Board Members and persons holding managerial positions				
	Number of persons	Total remuneration [PLN thousand]			
		fixed	variable	cash	financial instruments
Members of the Management Board	6	1,718	-	1,718	-
Persons holding managerial positions	14	2,681	55	2,736	-

Non-financial components of remuneration due to Members of the Management Board and managing staff

Under an agreement between employees and the employer, as well as procedures introduced by the Company's management, additional benefits due to Management Board Members and managing staff include in particular:

- mobile phone,

- provision of a company car and coverage of the costs of using it,

- access to additional medical insurance,

- access to courses and trainings.

21. Specification of the total number and face value of all of the Issuer's shares held by members of the managing and supervisory bodies

Total number of the Issuer's shares amounts to 36,343,344, and their face value amounts to PLN 34,526,176.80.

Members of the Issuer's managing and supervisory bodies hold the following numbers of shares:

Name and surname	Position	Number of shares	Face value
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych *	Supervisory Board Member	9,119,040	8,663,088
Sylwester Biernacki **	President of the Management Board	742,843	705,701
Tomasz Galas	Vice-President of the Management Board	-	-

**) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*

**) jointly with subsidiaries.*

22. Listing of shareholders who hold, directly or indirectly, at least 5% of the total number of votes at the Issuer's General Meeting

Shareholder	Number of shares	%
MCI.PrivateVentures FIZ *	11,070,470	30.46%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%
Nationale-Nederlanden PTE ***	7,160,120	19.70%
PKO BP Bankowy OFE ****	1,914,556	5.27%

**) jointly with subsidiaries. The number of shares as at 5 May 2016 based on the notification*
***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*
****) the number of shares as at 31 December 2014 based on the "Annual asset structure"*
*****) the number of shares as at 7 May 2015 based on the notification*

23. Information concerning agreements known to the Issuer which may change the proportion of shares held in the future

On 5 January 2017, an agreement was concluded between MCI PrivateVentures FIZ, Mr Sylwester Biernacki and Manassa Investments Sp. z o.o. under which MCI PrivateVentures FIZ may demand that all shares of the Company held by Manassa Investments Sp. z o.o. or entities controlled by Mr Sylwester Biernacki be sold to MCI PrivateVentures FIZ (detailed information provided in current report No 4/2017 of 12 January 2017).

24. Listing of all owners of securities which grant special rights of control in relation to the Issuer

No securities exist which would grant special control rights in relation to the Issuer.

25. Information on the system of control of the employee stock ownership scheme

As at the balance sheet date no employee stock ownership scheme is run in the Company.

26. Listing of any restrictions as to the transfer of ownership rights to the Issuer's securities and of any restrictions on the execution of voting rights carried by the Issuer's shares

No restrictions exist as to the transfer of ownership rights to the Issuer's securities.

27. Information on pending proceedings before court, arbitration panel or public administration body

The Issuer is not a party to any court, arbitration or administrative proceedings of an individual or total value constituting at least 10% of the Company's equity.

28. Information concerning the entity authorised to audit the financial statements

On 1 August 2016, the Issuer concluded audit contracts with the entity authorised to audit financial statements — Polska Grupa Audytorska Sp. z o.o. sp.k.

Subject matter of the agreement:

- a review of the condensed separate financial statements of the Issuer for the period from 1 January to 30 June 2016 (due date of the service is 30 September 2016);
- an audit of the separate financial statements of the Issuer for the period from 1 January to 31 December 2016 (due date of the service is 17 March 2016).

The remuneration under the contract for a review of the condensed separate financial statements for the period from 1 January to 30 June 2016 amounted to PLN 12,000 net.

The remuneration under the contract for the audit of separate financial statements for the period from 1 January to 31 December 2016 amounted to PLN 22,000 net.

In 2015, the remuneration amounted to:

- PLN 13,000 net for a review of the condensed separate financial statements for the period from 1 January to 30 June 2015;
- PLN 26,000 net for an audit of the separate financial statements for the period from 1 January to 31 December 2015.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Name and surname	Position/function	Date	Signature
Sylwester Biernacki	President of the Management Board	28 April 2017	....
Tomasz Galas	Vice-President of the Management Board	28 April 2017	....

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of ATM S.A. declares that according to its best knowledge, the annual financial statements and comparable data have been drawn up in accordance with applicable accounting principles and they give a correct, true and fair view of the asset and financial situation of the Issuer and its financial performance and that the report on the activities of the Issuer gives a true picture of the development, achievements and standing of the Issuer, including most important risks and threats.

Warsaw, 28 April 2017

Name and surname	Position/function	Date	Signature
Sylwester Biernacki	President of the Management Board	28 April 2017	....
Tomasz Galas	Vice-President of the Management Board	28 April 2017	....

The Management Board of ATM S.A. declares that according to its best knowledge, the entity authorised to audit the financial statements, which audited the annual financial statements, was selected pursuant to applicable laws, and that this entity as well as the statutory auditors who audited these statements fulfilled the conditions for expressing an impartial and independent opinion about the audited annual financial statements pursuant to applicable professional regulations and standards.

Warsaw, 28 April 2017

Name and surname	Position/function	Date	Signature
Sylwester Biernacki	President of the Management Board	28 April 2017	....
Tomasz Galas	Vice-President of the Management Board	28 April 2017	....

STATEMENT OF THE MANAGEMENT BOARD OF ATM S.A. ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES IN 2016

A) Listing of the corporate governance principles which the Issuer is required to follow

In 2016, ATM S.A. complied with corporate governance principles specified in the document “Best Practices of WSE Listed Companies 2016”, introduced by way of Resolution No 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015. The text of these principles is available at the following address: https://static.gpw.pl/pub/files/PDF/RG/DPSN2016__GPW.pdf

B) Extent to which the Issuer departed from application of the set of corporate governance principles, descriptions of these principles and explanations of the reasons for departure

The Management Board of the Company hereby represents that the following corporate governance principles and recommendations were not applied in 2016 (this applies to principles applicable in 2016):

Information policy and communication with investors

I.R.2. Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

This principle does not apply to the company.

The Company’s comments: This recommendation does not apply to the Company.

I.Z.1.10. financial projections — if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

Not applicable.

This recommendation does not apply to the Company.

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

The Company’s comments concerning the manner of applying the above principle:

The Company, as a participant of the sWIG80 index, ensures the availability of key content of its corporate website in English.

Internal systems and functions

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The Company’s comments concerning the manner of applying the above principle:

The Company applies this principle, taking into consideration the adequacy thereof (applies to the level of formalization of reports submitted to the Supervisory Board).

General meeting and shareholder relations

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1) real-life broadcast of the general meeting;

2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;

3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

This principle does not apply to the company.

The Company's comments: the Company ensures a real-time online broadcast of the General Meeting, thereby enabling the shareholders to follow the proceedings without physically attending the General Meeting. The Company's Articles of Association and Rules of the General Meeting do not provide for an active participation of shareholders in the General Meeting using electronic communication means. In the opinion of the Company, the introduction of bilateral communication without the right to vote would result, under the currently applicable laws, in the occurrence of additional legal risk. As regards exercising the right to vote using electronic communication means, the Company will examine the possibility to adapt to the recommendations of good practice in this field, provided that solutions offered on the market will allow conducting the General Meeting in a safe and effective manner. Rules governing the shareholders' participation in the General Meeting of the Company ensure effective enforcement of the shareholders' rights and secure their interest, including interest of minority shareholders. The shareholder structure and shareholders' expectations that the Company is aware of do not indicate the need to apply the aforementioned solutions, however the Company does not exclude the possibility of their application in the future.

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

This principle does not apply to the company.

The Company's comments: This principle does not apply to the Company. The Company's shares are traded in the domestic market only.

Conflict of interest and transactions with related parties

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The Company does not apply the above principle:

The Company is currently working to supplement internal regulations, so that they would fully address the proposals contained in the principle in question.

Remuneration

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

The principle is not applied.

The Company's comments: Remuneration policy of the Management Board and the Supervisory Board is subject to independent decisions of the Supervisory Board and the General Meeting, respectively. The Management Board of the Company has no influence on any regulations in this matter. The remuneration policy concerning key managers results from a practice of the Company (it has not been formally laid down *in the form of internal regulations or procedures).*

VI.R.2. The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

The principle is applied.

The Company's comments: As regards an informal policy concerning key manager, the assumptions described in the above recommendation are applied.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

This principle does not apply to the company.

The Company's comments: The above recommendation does not apply to the Company (there is no remuneration committee within the Supervisory Board).

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

Not applicable.

At present, this recommendation does not apply to the Company.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

Not applicable.

At present, this recommendation does not apply to the Company.

C) Description of the basic characteristics of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements and consolidated financial statements.

The Management Board of the Company is responsible for internal control system and its efficiency with respect to the process of preparing financial statements and publishing interim reports. Financial statements are prepared by the Company in accordance with the applicable provisions of law and International Accounting Standards.

The scope and advancement of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements is predominantly influenced by: optimal, competency-based division of tasks in the process of preparing financial statements, ongoing assessment of the Company's activity and estimated results prepared based on the assessment as well as audit of the financial statements by an independent chartered auditor.

Following the procedure applied by the Company, in order to ensure the efficiency of the financial reporting process, the preparation of the financial statements in entrusted to competent employees of the Finance Division managed by the Financial Director and the Management Board, who are supported by persons responsible for the control of financial statements and matters related to the publication of reports.

D) Listing of shareholders who own, directly or indirectly, significant blocks of shares with specification of the number of shares owned by the said entities, their percentage ownership in the share capital, the number of votes arising from these shares and their percentage share in the overall number of votes.

Shareholder	Number of shares held	Interest in share capital	Number of votes at the General Meeting	Share in the overall number of votes
MCI.PrivateVentures FIZ *	11,070,470	30.46%	11,070,470	30.46%
ATP Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych **	9,119,040	25.09%	9,119,040	25.09%
Nationale-Nederlanden PTE ***	7,160,120	19.70%	7,160,120	19.70%
PKO BP Bankowy OFE ****	1,914,556	5.27%	1,914,556	5.27%

**) jointly with subsidiaries. The number of shares as at 5 May 2016 based on the notification*
***) the majority of ATP FIZ AN certificates are held by Tadeusz Czichon, Chairperson of the Supervisory Board of ATM S.A. since 2 June 2016 (previously Member of the Management Board of ATM S.A. for a number of years)*
****) the number of shares as at 31 December 2014 based on the "Annual asset structure"*
*****) the number of shares as at 7 May 2015 based on the notification*

E) Listing of all owners of securities which grant special rights of control, with a description of these rights

No securities exist which grant special control rights.

F) Listing of all restrictions on voting rights, such as restrictions on the execution of voting rights by a shareholder of a defined part or number of votes, time-related restrictions on the execution of voting rights or subscriptions, in accordance with which, in cooperation with the company, equity rights related to securities are separate from the ownership of securities.

No restrictions exist as to the execution of voting rights attributable to shares of the Issuer.

G) Listing of all restrictions on the transfer of ownership rights to securities by the Issuer

No restrictions exist as to the transfer of ownership rights to the Issuer's securities.

H) Description of principles concerning the appointment and dismissal of managers and their entitlements, in particular their right to decide on issuance or redemption of shares

In 2016, the Management Board acted on the basis of the Company's Articles of Association, resolutions of the General Meeting, the Code of Commercial Companies, other applicable provisions of law as well as on the basis of the Regulations of the Management Board of ATM S.A. adopted with the resolution of the Supervisory Board of 1 December 2014 and resolution of the Supervisory Board of 17 February 2016. The Management Board operates on the basis of and is subject to the corporate governance principles. The Management Board is composed of two members: the President and Vice-President of the Management Board. The Management Board is appointed and dismissed by the Supervisory Board, which also appoints the President of the Management Board. If a Member of the Management Board is dismissed, the Supervisory Board is obliged to appoint a new Member of the Management Board at the same meeting. All matters related to managing the Company, not reserved by the Company's Articles of Association or the Code of Commercial Companies as the competence of the General Meeting of the Company's Shareholders or the Supervisory Board, lay within the scope of responsibility of the Management Board.

The Company's Management Board, acting jointly, has, in particular, the right and obligation to:

- define the strategy for the Company's development and present it to the Supervisory Board;
- apply and implement the Company's strategy;
- prepare the budget and financial plans of the Company;
- manage the Company's assets;
- assume financial obligations and conclude contracts;
- appoint and dismiss commercial proxies and attorneys;
- adopt resolutions on the organisational structure and internal regulations of the Company;
- define staff and payroll policies, in particular appoint staff to important management positions in the Company and its related entities, define employment, salary and human resources policies;
- create an incentive scheme for employees;

- convene ordinary and extraordinary General Meetings of the Company;
- participate in General Meetings of the Company;
- submit motions at the General Meeting concerning the distribution of profits or coverage of losses.

The President and Vice-President of the Management Board are appointed jointly for a term of 5 years. The term of office of Members of the Management Board shall expire on the day of the General Meeting convened to approve the Company's financial statements for the financial year in which the period of 4 years from the day of appointing the Members of the Management Board for a given term has lapsed. The term of a Management Board Member assuming the position to substitute another Member whose term has expired, expires at the end of term of the entire Management Board. A Member of the Management Board should not resign from his/her duties in the course of his/her term of office. However, if a Management Board member is forced by circumstances to resign from the Management Board position, he/she must take into consideration the continuity of Company's operations and management, and try to minimise the negative effects of such a decision for the Company.

Currently, the Management Board has no authority to decide about the issue of shares. Moreover, the Management Board has no authority to decide about the redemption of shares, except for its authority to purchase the Company's shares in relation to the implementation of the Company's Incentive Scheme.

I) Description of principles concerning amendments to the Issuer's Articles of Association.

An amendment to the Company's Articles of Association requires a resolution of the General Meeting and registration, in accordance with the Code of Commercial Companies. Resolutions on the amendments to the Company's Articles of Association require a three-fourths majority of votes. The Management Board shall notify the registry court of every amendment to the Company's Articles of Association.

J) The manner of functioning of the General Shareholders Meeting and its basic rights, and a description of the rights of shareholders and the manner of their execution, in particular the principles arising from regulations of the General Shareholders' Meeting, if such regulations have been passed and do not result directly from the existing law

The General Meeting, which consists of all Company's shareholders who are entitled to participate in the General Meeting, is the Company's highest decision-making body. General Meetings are conducted in accordance with the applicable provisions of law and relevant provisions of the Company's Articles of Association or the Rules of the General Meeting available at the website of ATM S.A. The General Meeting shall be convened by the Company's Management Board. The Supervisory Board is entitled to convene an Ordinary General Meeting if the Management Board fails to convene it within six months after the end of each financial year and an Extraordinary General Meeting, should the Supervisory Board consider it expedient. A Shareholder or shareholders who own at least one twentieth of the share capital may request to convene an Extraordinary General Meeting as well as to add specific items to the agenda of the upcoming General Meeting. A request to add specific items to the agenda should be submitted to the Management Board in writing no later than fourteen days before the scheduled General Meeting. The General Meeting takes place on the Company's premises on the day specified in the announcement on convening the General Meeting included in the current report convening the General Meeting, in accordance with the applicable provisions of law. The announcement on convening a General Meeting should be made no later than twenty-six days before the date of the General Meeting. The announcement shall state the date, time and venue of the General Meeting and a detailed agenda. Draft resolutions included in the agenda of the General Meeting with grounds for adopting them as well as other available materials related to the specific General Meeting shall be presented to shareholders at a time and in a place which enable the shareholders to acquaint themselves with them and assess them. Moreover, issues which are to be subject matters of resolutions of the General Meeting shall be investigated and evaluated by the Supervisory Board.

Persons authorised to participate in an Ordinary General Meeting are those who have been the Company's shareholders 16 days prior to the date of the Ordinary General Meeting, i.e. on the day of registration of participation in the Ordinary General Meeting. Beneficial holders of registered shares and provisional certificates, likewise pledgees and usufructuaries who are entitled to vote, may take part in the Ordinary General Meeting, provided they have been entered in the register of shares on the registration date. Beneficial holders of dematerialised bearer shares of ATM S.A. shall request the entity who keeps their stock account to issue a personal certificate of the right to participate in the Ordinary General Meeting, no earlier than upon the announcement of the convening of the Ordinary General Meeting and no later than on the first business day following the registration of participation in the Ordinary General Meeting. Subject to the shareholder's choice, the certificate should state a part or all shares registered in his or her securities account.

Alongside the matters regulated by the provisions of the Code of Commercial Companies and the Company's Articles of Association, the powers of the General Meeting include:

a) recognition and reversal of capital reserves, special funds and specification of their purposes;
b) determination of the Supervisory Board Members' remuneration;
c) adoption of the Supervisory Board Rules;
d) adoption of the General Meeting Rules.

The agenda is determined by the body which convenes the General Meeting. To remove an item from the agenda or abandon it upon shareholders' motion, the General Meeting must pass a resolution upon prior consent of all requesting shareholders who are present, backed by 75% of votes of the General Meeting. In the event referred to in Article 397 of the Code of Commercial Companies, a resolution on the dissolution of the Company shall require the majority of ¾ votes. The business objective of the Company may be changed without redeeming shares of those shareholders who do not consent to the change in the business objective, provided that the resolution changing the Company's business objective is passed by the majority of 2/3 of votes in the presence of shareholders who represent at least half of the share capital. The Chairman of the Supervisory Board or a person indicated by the Chairman shall open the General Meeting. Should the Chairman of the Supervisory Board be absent at the General Meeting or fail to indicate a person to open the General Meeting, the General Meeting shall be opened by a shareholder who holds the highest number of shares in the Company's share capital or his representative present at the General Meeting. The person who opens the General Meeting should choose immediately a Chairperson from among the participants. The Chairperson of the Meeting shall state the formal validity of convening the General Meeting and chair its proceedings in accordance with the adopted agenda, applicable provisions of law, the Company's Articles of Association, General Meeting Rules and corporate governance principles adopted by the Company. The Chairperson of the General Meeting shall watch over the correct conduct of the proceedings as well as the respect for rights and interests of all shareholders. The Chairperson should prevent the abuse of rights by the participants of the General Meeting and, in particular, ensure the respect for minority shareholders' rights. Having checked and signed the attendance list, the Chairperson shall conduct the voting on the agenda. The General Meeting may adopt the proposed agenda as it is, modify the sequence of items in the agenda or remove some matters from the agenda. A request on abandoning a matter included in the agenda shall be duly substantiated. The General Meeting may also add new items to the agenda, and discuss such items, however, without passing any resolutions concerning such items. If the General Meeting resolves to remove an item from the agenda, motions submitted in connection with the removed item are abandoned. The Chairperson independently may not remove items from the announced agenda, change the order of individual items or proceed on matters of substance not included in the agenda. Following the presentation of each item included in the agenda, the Chairperson shall open the discussion, inviting speakers according to the order of their enlisting. The decision on closing the discussion shall be made by the Chairperson. Speakers may express their opinions only on items included in the agenda, referring to the currently discussed item. As regards formal matters, the Chairperson may give the floor to speakers outside the established sequence. Discussion on formal motions should be conducted directly after their submission. Having closed the discussion on formal motions, the Chairperson opens the General Meeting's voting on these items. Having exhausted the agenda, the Chairperson closes the General Meeting. Following the closing of the General Meeting, it no longer operates as a body of the Company and the participants of the General Meeting may not pass valid resolutions. Detailed rules of participation and exercise of voting rights at the General Meeting as well as particular stages of the proceedings have been presented in the General Meeting Rules and the Company's Articles of Association, available at the Company's website.

K) The staff composition of the managing, supervisory and administrative bodies of the Issuer and any changes thereto during the previous financial year, along with a description of the activities and committees of the said bodies

On 10 May 2016, the Issuer's Supervisory Board adopted the following resolutions on:

- determining the number of the Members of the Management Board to three;
- dismissing Dariusz Terlecki from the position of President and Member of the Company's Management Board as of 10 May 2016;
- dismissing Jacek Krupa from the position of Vice-President and Member of the Company's Management Board as of 10 May 2016;
- appointing Sylwester Biernacki to the position of President of the Company's Management Board as of 10 May 2016;
- appointing Robert Zaklika to the position of Vice-President of the Company's Management Board as of 1 June 2016;

- appointing Tomasz Galas to the position of Member of the Company's Management Board responsible for finance as of 16 May 2016 (on 29 June 2016, the Issuer's Supervisory Board adopted a resolution appointing Tomasz Galas, current Member of the Company's Management Board, to the position of Vice-President of the Company's Management Board as of 1 July 2016).

Consequently, as at the end of 2016 the Issuer's Management Board was composed of the following members:

- Sylwester Biernacki — President of the Management Board,
- Robert Zaklika – Vice-President of the Management Board,
- Tomasz Galas — Vice-President of the Management Board.

The Management Board holds meetings at least once a month. A meeting of the Management Board may be convened by each Member of the Management Board at any time, by notifying the other Board Members. For a Meeting of the Management Board to be valid, both Members of the Management Board must be present. Meetings of the Management Board are chaired by the President of the Management Board. Meetings of the Management Board can be held without being formally convened and the agenda is established at every meeting, provided all the Members of the Management Board participate in the meeting. Should any disputes arise, in particular, when adopting resolutions, the Management Board shall try to reach a consensus. Should an agreement be impossible, the resolutions of the Management Board shall be adopted by a majority vote. In the event of conflict of interests, the Member of the Management Board whom such conflict concerns shall abstain from voting. Voting at Meetings of the Management Board is open. The Management Board may invite to the Meeting other persons whose participation may help in managing the Company.

Due to the resignation from the membership in the Supervisory Board submitted on 4 March 2016 by the Chairperson of the Supervisory Board Mirosław Panek, on 14 March 2016, the Supervisory Board elected a new Chairperson — Kinga Stanisławska, and a new Deputy Chairperson — Jacek Osowski.

On 25 April 2016, the Extraordinary General Meeting of the Company dismissed Sławomir Kamiński from the Supervisory Board and appointed Cezary Smorszczewski and Maciej Kowalski to the Supervisory Board of the Company.

On 30 May 2016, the Company's Management Board received Kinga Stanisławska's resignation from membership in the Supervisory Board. The resignation was submitted as of the day of the subsequent Extraordinary General Meeting of the Company where changes in the composition of the Supervisory Board are to be on the agenda.

On 30 May 2016, the Extraordinary General Meeting of the Company dismissed Grzegorz Domagała from the Supervisory Board, set the number of Supervisory Board members at five and appointed Piotr Misztal to the Supervisory Board of the Company.

On 2 June 2016, the Issuer's Supervisory Board elected Tadeusz Czichon as the new Chairperson of the Supervisory Board and Maciej Kowalski as the new Deputy Chairperson of the Supervisory Board. The former Deputy Chairperson of the Supervisory Board, Jacek Osowski, tendered in his resignation from this position on 2 June 2016.

On 7 November 2016, the Company received a letter of resignation from the position of a member of the Company's Supervisory Board submitted by Piotr Misztal. On the same day, the Extraordinary General Meeting of the Company adopted resolution on appointing Łukasz Wierdak as a member of the Supervisory Board.

Consequently, as at the end of 2016 the Issuer's Supervisory Board was composed of the following members:

- Tadeusz Czichon — Chairperson of the Supervisory Board,
- Maciej Kowalski – Deputy Chairperson of the Supervisory Board,
- Łukasz Wierdak – Member of the Supervisory Board,
- Jacek Osowski – Member of the Supervisory Board,
- Cezary Smorszczewski — Member of the Supervisory Board.

The Supervisory Board acts on the basis of the Company's Articles of Association, resolutions of the General Meeting, applicable laws and the Supervisory Board Rules. The Supervisory Board operates on the basis of and is subject to the corporate governance principles. Members of the Supervisory Board are appointed for a joint 5-year term. The term of office of the Supervisory Board Members shall expire on the day on which the General Meeting is convened to approve the Company's financial statements for the financial year in which the period of 4 years from the day of appointing the Supervisory Board Members for a given term has lapsed. The term of a Supervisory Board Member assuming the position to substitute another Member whose term has been terminated, shall expire at the end of term of the entire Supervisory Board. Each Member of the Supervisory Board may resign from his/her function during his or her term, even without specifying his/her reasons. However, such resignation should respect the applicable corporate governance principles. The Supervisory Board shall hold its meetings at least once every quarter. The Supervisory Board meetings are convened by the Chairman. This shall not restrict the right of the Management Board or a Supervisory Board Member to convene meetings of the Supervisory Board, in accordance with the provisions of the Code of Commercial Companies and the Company's Articles of Association. The person convening the Supervisory Board meeting shall notify the Management Board immediately. The Supervisory Board meetings shall be chaired by the Supervisory Board Chairman. In the absence of the Chairman, the meeting shall be chaired by the Deputy Chairperson, and in absence thereof — by another Supervisory Board Member appointed by the Chairman, and if no such person has been appointed — by the oldest Supervisory Board Member.

The agenda of a Supervisory Board meeting may be suggested to the Chairman by other Board Members and by the Management Board, via e-mail, no later than 7 days before the date of the Board meeting. The Supervisory Board adopts resolutions by absolute majority of votes of Members attending the meeting. In the event of equal split of votes, the Chairman's vote prevails. In the cases envisaged in the applicable corporate governance principles, a resolution should be passed only if it is supported by at least one independent Member of the Supervisory Board. Voting at the Supervisory Board meetings is open. Upon a justified request of at least one Supervisory Board Member or in the cases required by the applicable law, the voting is secret. The Supervisory Board meetings shall be accessible and open to the Members of the Management Board, except for matters directly related to the Management Board or its Members. The Supervisory Board may invite to its meeting other persons who can provide the Board with required information. The minutes of Supervisory Board meetings are taken by a minutes secretary appointed by the Management Board and accepted by the Supervisory Board. The Supervisory Board may proceed without the minutes secretary. In such an event, the minutes are kept by the person chairing the meeting. The minutes should be taken on an ongoing basis during the proceedings and signed by the minutes secretary and all the attending Members immediately upon closing the meeting. In justified cases, Supervisory Board Members may sign the minutes at a later time. Pursuant to the Company's Articles of Association, the Supervisory Board may adopt resolutions in writing or by means of remote communication. In the event of adopting a resolution in writing, the resolution contents must be delivered to the Supervisory Board Members by e-mail or fax.

The minutes of the Supervisory Board meeting shall be delivered immediately by the chairing person to the Minutes File kept by the Management Board of the Company. The Supervisory Board may designate one or more Members to perform independently specific supervisory activities. The detailed rules and scope of such supervisory activities shall be determined on a case-to-case basis by a Supervisory Board resolution adopted with consultation of the Management Board. Such a resolution shall set forth the amount and method of payment of remuneration for the activities performed. The remuneration of the Chairman and other Members of the Supervisory Board shall be determined by the General Meeting.

On 14 March 2016, the Company's Supervisory Board adopted a resolution to dissolve the Audit Committee, which means that the duties of the Audit Committee were, as of the time of adoption of that resolution, performed collectively by the entire Supervisory Board of the Company.

Warsaw, 28 April 2017

Sylwester Biernacki — President of the Management Board, ...

Tomasz Galas — Vice-President of the Management Board. ....

ATM S.A.

Opinion and Report of the Independent Statutory Auditor

Financial year ended 31 December 2016

The opinion contains 4 pages
The report contains 10 pages
Opinion of the independent statutory auditor
and report on the audit of the
financial statements
for the financial year ended
31 December 2016

OPINION OF THE INDEPENDENT STATUTORY AUDITOR

For the General Meeting of ATM S.A.

Report on the audit of the financial statements

We have audited the accompanying financial statements of ATM S.A. with its registered office in Warsaw, at Grochowska 21a (hereinafter referred to as the "Company") which comprise: the statement of financial position as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year then ended, as well as additional notes to the financial statements outlining the key accounting policies and other explanatory notes.

Responsibility of the entity's manager and supervisory board for the financial statements

The entity's manager is responsible for the preparation, on the basis of properly maintained accounting records, of the financial statements and for their fair presentation pursuant to the International Accounting Standards, International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations, and with other applicable laws. The entity's manager is also responsible for such internal control as the manager deems to be necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the Accounting Act, the entity's manager and members of the entity's supervisory board are required to ensure that the financial statements meet the requirements set out in the Accounting Act.

Responsibility of the Statutory Auditor

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the provisions of Chapter 7 of the Accounting Act and with the National Standards on Auditing in the wording of the International Standards on Auditing by the resolution No 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015, as amended. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw (00-764), at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96, District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, KRS number 0000484251,
Tax ID No (NIP) 9512373424

The audit involved performing procedures to obtain evidence of examining the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the registered auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the entity's manager, as well as evaluating overall presentation of the financial statements.

We believe that the audit evidence we have obtained provides a sufficient and reasonable basis for our audit opinion.

Opinion on the financial statements

In our opinion, the accompanying separate financial statements:

- give a true and fair view of the entity's asset and financial position as at 31 December 2016 and the financial result and cash flows for the financial year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards and related interpretations issued by the European Commission in the form of regulations, and with the adopted accounting principles (policy).
- have been prepared on the basis of properly maintained accounting records,
- comply in form and content with the laws applicable to the entity, including requirements of the Regulation of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions for deeming equivalent the information required by the provisions of the law of a Non-Member State (Journal of Laws of 2016, item 860), and with provisions of the entity's articles of association.

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw (00-764), at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96, District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, KRS number 0000484251,
Tax ID No (NIP) 9512373424

Report on other legal and regulatory requirements

Opinion on the report on operations

Our opinion on the audit of the financial statements does not cover the report on operations.

In accordance with the Accounting Act and other applicable laws, the entity's manager is responsible for the preparation of the report on operations. In addition, the entity's manager and members of the entity's supervisory board are required to ensure that the report on operations meets the requirements set out in the Accounting Act.

With respect to our audit of the financial statements, our responsibility was to read the report on operations and consider whether the information included therein complies with the provision of Article 49 of the Accounting Act and is consistent with the information contained in the accompanying financial statements. Our responsibility was also to make a representation, based on our knowledge of the entity and its environment obtained during the audit of the financial statements, whether we had found any material misstatements in the report on operations.

In our opinion, the information contained in the report on operations has been presented in accordance with the provisions of Article 49 of the Accounting Act and Regulation of the Minister of Finance, and is consistent with the information contained in the accompanying financial statements. Moreover, in the light of our knowledge about the entity and its environment obtained during our audit of the financial statements, we have not identified any material misstatements in the report on operations.

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw (00-764), at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96, District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, KRS number 0000484251,
Tax ID No (NIP) 9512373424

The entity's statement on the application of corporate governance principles

In connection with our audit of the financial statements, our responsibility was also to read the Company's statement on the application of corporate governance principles, constituting a separate part of the report on operations. In our opinion, this statement includes information required by secondary regulations issued pursuant to Article 60(2) of the Act of 29 July 2005 on public offering and conditions for the introduction of financial instruments to the organised trading system and on public companies (Journal of Laws of 2016, item 1639, as amended) or in regulations issued pursuant to Article 61 of this act. This information complies with the applicable regulations and is consistent with the information contained in the financial statements.

On behalf of Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.
Registration No 3887
Jana III Sobieskiego 104, apt. 49,
00-764 Warsaw

....
Maciej Kozysa
Key Statutory Auditor
Registration No 12005
General Partner's Management Board Member,

....
Kamil Walczuk
General Partner's Management Board Member

28 April 2017

ATM S.A.

Report on the audit of the financial statements Financial year ended 31 December 2016

The report contains 10 pages
Report on the audit
of the financial statements
for the financial year ended
31 December 2016

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw (00-764), at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96, District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, KRS number 0000484251,
Tax ID No (NIP) 9512373424

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Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw (00-764), at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96, District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, KRS number 0000484251, Tax ID No (NIP) 9512373424

1. General part of the report

1.1. Company identification data

1.1.1. Company name

ATM S.A.

1.1.2. Company registered office

Grochowska 21a
04-186 Warsaw

1.1.3. Registration (entry) in the National Court Register

Registry court:	District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register
Date:	16 August 2001
Registry Number:	KRS 0000034947
Share capital as at the end of the reporting period:	PLN 34,526,176.80

1.1.4. Entity's manager

The function of the entity's manager is performed by the Management Board of the Company.

As at 31 December 2016, the Management Board of the Company was composed of:

- Sylwester Biernacki — President of the Management Board,
- Tomasz Galas — Vice-President of the Management Board,
- Robert Zaklika – Vice-President of the Management Board.

By virtue of a resolution of the Supervisory Board of 10 May 2016, Mr Dariusz Terlecki was dismissed from the position of the President of the Management Board, and Mr Jacek Krupa was dismissed from the position of the Vice-President of the Management Board. On the same day, pursuant to resolutions of the Supervisory Board, a new composition of the Company's Management Board was appointed: Mr Sylwester Biernacki was appointed to perform the function of the President of the Management Board, Mr Tomasz Galas appointed to perform the function of the Member of the Management Board responsible for finance, and Mr Robert Zaklika was appointed to perform the function of the Vice-President of the Management Board as of 1 June 2016.
Pursuant to Resolution of the Supervisory Board of 29 June 2016, Mr Tomasz Galas was appointed to perform the function of the Member of the Management Board responsible for finance as of 1 July 2016.
On 6 February 2017, Mr Robert Zaklika tendered his resignation from the position of the Vice-President of the Management Board.

1.2. Identification of the key statutory auditor and the entity authorised to audit financial statements

1.2.1. Identification of the key statutory auditor

Name and surname:	Maciej Kozysa
Registration number:	12005

1.2.2. Identification of the entity authorised to perform the audit:

Business name:	Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.
Address of the registered office:	Jana III Sobieskiego 104, apt. 49, 00-764 Warsaw
Registry Number:	KRS 0000484251
Registry court:	District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register
NIP (Tax ID No):	9512373424

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. is entered in the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors under No 3887.

1.3. Information on the separate financial statements for the previous financial year

The financial statements for the financial year ended 31 December 2015 were audited by Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp.k., an entity authorised to audit financial statements No 3887, and received an unqualified opinion of the statutory auditor.

On 28 May 2016, the financial statements were approved by the Ordinary General Meeting, which decided that the profit for the previous financial year amounting to PLN 5,639,805.91 would be allocated to the Company's reserve capital.

The financial statements were filed with the Registry Court on 5 July 2016.

1.4. The scope of works and responsibilities

This report was prepared for the General Meeting of ATM S.A. with its registered office in Warsaw, at Grochowska 21a, and concerns the financial statements comprising the statement of financial position as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year then ended, as well as additional notes to the financial statements outlining the key accounting policies and other explanatory notes.

The audit of the financial statements was conducted in accordance with the agreement dated 1 August 2016, concluded on the basis of a resolution of the

Supervisory Board dated 12 July 2016 concerning the appointment of the entity authorised to audit the financial statements.

We conducted our audit in accordance with the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047) and with the National Standards on Auditing in the wording of the International Standards on Auditing by the resolution No 2783/52/2015 of the National Council of Statutory Auditors dated 10 February 2015, as amended.

The audit of the financial statements was conducted in the Company in the period from 20 February to 2 March 2017, and on selected days of March and April 2017 at the registered office Polska Grupa Audytorska.

The Company's Management Board is responsible for the preparation of financial statements that give a true and fair view of the entity's asset and financial position, in accordance with the applicable provisions of the Accounting Act and the adopted accounting principles (policy).

Our responsibility was to express our opinion and prepare a report on these financial statements, based on our audit.

On the day of issue of this report, the Management Board of the Company submitted a statement on the preparation of the financial statements that give a true and fair view and on the lack of any events undisclosed in the financial statements, which materially affect the data presented in the financial statements for the audited year.

During the audit of the financial statements, the Management Board of the Company submitted all the statements, explanations and information which we required and provided us with all documents and information necessary to issue an opinion and prepare the report.

The scope of the planned and performed work has not been limited in any way. The scope and manner of the conducted audit results from the working documentation drafted by us, which is kept in the registered office of the entity authorised to audit financial statements.

The key statutory auditor and the authorised entity meet the requirements of independence on the Company, in accordance with the provisions of the Code of Ethics of professional accountants of the International Federation of Accountants, adopted by resolution of the National Council of Statutory Auditors of 13 June 2011 (the "IESBA Code"), and the requirements of independence and impartiality set out in Article 56(3) and (4) of the Act of 7 May 2009 on statutory auditors and their council, entities entitled to provide an audit of financial statements and public supervision (Journal of Laws of 2016, item 1000, as amended) and with other ethical requirements resulting from these principles and the IESBA Code.

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw (00-764), at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96, District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, KRS number 0000484251, Tax ID No (NIP) 9512373424

2. Financial analysis of the Company

2.1. General analysis of the financial statements

2.1.1. Statement of financial position

ASSETS	31.12.2016 PLN '000	% of assets	31.12.2015 PLN '000	% of assets
Fixed assets				
Tangible fixed assets	332,522	83.2	331,825	81.4
Intangible assets	7,250	1.8	2,939	0.7
Investments in equity-accounted associates and jointly-controlled subsidiaries	41,073	10.3	53,346	13.1
Other fixed assets	303	0.1	257	0.1
Total fixed assets	381,148	95.4	388,367	95.3
Current assets				
Inventories	816	0.2	1,052	0.3
Financial assets held for trading	50	-	66	-
Income tax receivables	57	-	57	-
Trade and other receivables	14,309	3.6	13,452	3.3
Cash and cash equivalents	1,774	0.4	1,817	0.4
Other current assets	1,463	0.4	2,634	0.7
Total current assets	18,469	4.6	19,078	4.7
TOTAL ASSETS	399,617	100.0	407,445	100.0

EQUITY AND LIABILITIES	31.12.2016 PLN '000	% of assets	31.12.2015 PLN '000	% of assets
Equity				
Share capital	34,723	8.7	34,723	8.5
Share premium	123,735	30.9	123,735	30.4
Other reserve capital	61,144	15.3	55,504	13.6
Retained earnings	5,068	1.3	17,837	4.4
Total equity	224,670	56.2	231,799	56.9
Liabilities				
Long-term loans and borrowings	101,034	25.3	71,473	17.5
Long-term trade and other liabilities	15,126	3.8	17,116	4.2
Other financial liabilities	4,593	1.1	9,769	2.4
Provision for deferred tax	1,312	0.3	3,673	0.9
Total long-term liabilities	122,065	30.6	102,031	25.0
Bank loans and borrowings	20,727	5.2	49,627	12.2
Income tax liabilities	424	0.1	267	0.1
Trade and other liabilities	26,404	6.6	17,479	4.3
Other financial liabilities	5,327	1.3	6,242	1.5
Total short-term liabilities	52,882	13.2	73,615	18.1
Total liabilities	174,947	43.8	175,646	43.1
TOTAL EQUITY AND LIABILITIES	399,617	100.0	407,445	100.0

**restated data*

Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw (00-764), at Jana III Sobieskiego 104, apt. 49, tel. + 48 22 115 66 96, District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, KRS number 0000484251, Tax ID No (NIP) 9512373424

2.1.2. Income statement, statement of comprehensive income

	1.01.2016–31.12.2016 PLN '000	% of sales revenue	1.01.2015–31.12.2015* PLN '000	% of sales revenue
CONTINUED OPERATIONS				
Sales revenue	132,050	100.0	131,483	100.0
Cost of sales (variable)	(60,988)	46.2	(63,309)	48.1
Sales margin	71,062	53.8	68,174	51.9
Cost of sales (fixed)	(29,487)	22.3	(27,070)	20.6
Gross profit on sales	41,575	31.5	41,104	31.3
Other operating revenue	65	0.0	1,156	0.9
General and administrative expenses	(29,724)	22.5	(30,143)	22.9
Other operating expenses	(4,565)	3.5	(1,395)	1.1
Operating profit	7,350	5.6	10,722	8.2
Financial revenue	150	0.1	169	0.1
Financial expenses	(21,957)	16.6	(4,517)	3.4
Revenue from subsidies	1,554	33.1	1,550	6.7
Share in net profits of equity-accounted subordinated entities	1,986	1.5	858	0.7
Profit (loss) before tax	*(10,917)*	8.3	*8,782*	6.7
Income tax	*(1,126)*	0.9	*(3,142)*	2.4
Net profit (loss) on continuing operations	*(9,791)*	7.4	*5,640*	4.3
Net profit (loss) for the financial year	*(9,791)*	7.4	*5,640*	4.3

**restated data*

Net profit (loss) per share on continuing operations		
Basic (PLN)	(0.27)	0.16
Diluted (PLN)	(0.27)	0.16
Continuing and discontinued operations		
Basic profit (loss) per share (in PLN)	(0.27)	0.16
Diluted profit (loss) per share (in PLN)	(0.27)	0.16

Statement of comprehensive income

	1.01.2016–31.12.2016 PLN '000	% of net profit	1.01.2015–31.12.2015 PLN '000	% of net profit
Profit/ (Loss) for the financial year	*(9,791)*	*100*	*5,640*	*100*
OTHER COMPREHENSIVE INCOME				
Share in other comprehensive income of equity-accounted subordinated entities	2,662	27	(1,259)	22
Other net comprehensive income for the financial year	***2,662***	**27**	***(1,259)***	**22**
Total comprehensive income	***(7129)***	***73***	***4,381***	***78***

**restated data*

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2.2. Selected financial ratios

		2016	2015	2014
1.	**Net return on sales**			
	net profit x 100% / sales revenue	negative value	4.3%	5.2%
2.	**Return on equity**			
	net profit x 100% / equity – net profit	negative value	2.5%	3.6%
3.	**Receivables turnover**			
	average balance of trade receivables × 365 days / sales revenue	41 days	54 days	54 days
4.	**Debt ratio**			
	liabilities x 100% / total equity and liabilities	43.8%	43.1%	41.3%
5.	**Liquidity ratio**			
	current assets / short-term liabilities	0.3	0.3	0.4

- Sales revenue includes sales of products, goods and materials.
- Average gross trade receivables represent an arithmetic mean of trade receivables as at the beginning and end of the reporting period, less revaluation write-downs.

Interpretation of ratios

In 2016, the ratios of **return on sales** and **return on equity** were negative, due to the net loss incurred. The loss results primarily from the recognition of an impairment write-down on shares in an associate, Linx Telecommunications Holding B.V., in the amount of PLN 16,921 thousand. This write-down results from impairment tests carried out as at 31 December 2016. The **receivables turnover** ratio improved as compared with previous years and amounted to 41 days at the end of 2016, which indicates a relatively quick turnover of receivables from counterparties. The **debt** and **liquidity ratios** remained at levels similar to those recorded in previous years. The low level of the liquidity ratio results mainly from the nature of the business of the Company, where operating activities are carried out primarily based on the infrastructure and fixed assets which, to a significant extent, are financed with liabilities, including short-term liabilities.

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3. Detailed part of the Report

3.1. Accounting system

The Company holds current documentation describing the accounting principles adopted by the Management Board, to the extent required by Article 10 of the Accounting Act.

In the course of the audit activities, we did not find any significant irregularities in the accounting system that had not been remedied and that could potentially have a significant influence on the audited separate financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the accounting system.

On behalf of Polska Grupa Audytorska Spółka z ograniczoną odpowiedzialnością sp. k.
Registration No 3887
Jana III Sobieskiego 104, apt. 49,
00-764 Warsaw

....
Maciej Kozysa
Key Statutory Auditor
Registration No 12005
General Partner's Management Board Member,

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Kamil Walczuk
General Partner's Management Board Member

28 April 2017